Prospectus dated September 19, 2022

Prospectus
for the public offering

of

99,021,740 existing non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder

and of

14,853,260 existing non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder in connection with a possible over-allotment

and at the same time for the

admission to trading

on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

455,500,000 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*), each representing a notional share of EUR 1.00 in the share capital per no-par value share and carrying full dividend rights as of January 1, 2022

of

Dr. Ing. h.c. F. Porsche Aktiengesellschaft

Joint Global Coordinators

BofA Securities **Citigroup** **Goldman Sachs Bank Europe SE** **J.P. Morgan**

Senior Joint Bookrunners

BNP PARIBAS **Deutsche Bank** **Morgan Stanley**

Joint Bookrunners

Banco Santander **Barclays** **Société Générale** **UniCredit Bank AG**

Co-Lead Managers

COMMERZBANK **Crédit Agricole CIB** **Landesbank Baden-Württemberg** **Mizuho**

Price Range: EUR 76.50 – EUR 82.50

International Securities Identification Number (ISIN): DE000PAG9113
German Securities Code (*Wertpapierkennnummer, WKN*): PAG911
Ticker Symbol: P911

The validity of this Prospectus will expire with the beginning of the trading of the Company's preferred shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to occur on September 29, 2022 and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

TABLE OF CONTENTS

(I) SUMMARY OF THE PROSPECTUS

1. Introduction containing warnings

This prospectus (the "**Prospectus**") relates to the public offering in the Federal Republic of Germany ("**Germany**"), Austria, France, Italy and Spain of (i) 99,021,740 existing non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) (the "**Base Shares**") from the holdings of Porsche Holding Stuttgart GmbH, a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with registered office (*Sitz*) in Stuttgart, Germany, and business address (*Geschäftsanschrift*) at Porscheplatz 1, 70435 Stuttgart, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, under HRB 739339 ("**Porsche GmbH**" or the "**Selling Shareholder**"), and (ii) 14,853,260 existing non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of Porsche GmbH in connection with a potential over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**"), International Securities Identification Number ("**ISIN**") DE000PAG9113, of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, with its business address at Porscheplatz 1, 70435 Stuttgart, Germany (telephone +49 711 911 0; website: www.porsche.com) (the "**Company**" or "**Porsche AG**") and the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Admission to Trading**") of all issued non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) of the Company (the "**Preferred Shares**"), comprising 455,500,000 existing Preferred Shares. In addition to the public offering of the Offer Shares in Germany, Austria, France, Italy and Spain, some or all of the Offer Shares may also be sold through a public offering in Switzerland in reliance on and pursuant to article 54(2) of the Swiss Financial Services Act dated June 15, 2018 or private placements in certain jurisdictions. The legal entity identifier code ("**LEI**") of the Company is: 529900EWEX125AULXI58. The Offer Shares will be offered by BofA Securities Europe SA, 51, rue La Boétie, 75008 Paris, France, LEI 549300FH0WJAPEHTIQ77 ("**BofA Securities**"), Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04 ("**Citigroup**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**") and J.P. Morgan SE, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**") (the "**Joint Global Coordinators**", and each a "**Joint Global Coordinator**") and BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**"), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**") and Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany, LEI 54930056FHWP7GIWYY08 ("**Morgan Stanley**") (the "**Senior Joint Bookrunners**", and each a "**Senior Joint Bookrunner**") and Banco Santander, S.A., Paseo de Pereda, 9-12, Santander, Spain, LEI 5493006QMFDDMYWIAM13 ("**Santander**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, Ireland, D02 RF29, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**"), Société Générale, 29 boulevard Haussmann, 75009 Paris, France, LEI O2RNE8IBXP4R0TD8PU41 ("**Société Générale**") and UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany, LEI 2ZCNRR8UK83OBTEK2170 ("**UniCredit**") (the "**Joint Bookrunners**", and each a "**Joint Bookrunner**" and together with the Joint Global Coordinators and the Senior Joint Bookrunners, the "**Underwriters**") and COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**"), Crédit Agricole Corporate and Investment Bank, 12 Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole CIB**"), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606 ("**LBBW**") and Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany LEI 213800G8QEXN34A2YG53 ("**Mizuho**") (the "**Co-Lead Managers**" and each a "**Co-Lead Manager**" and, together with the Joint Global Coordinators, the Senior Joint Bookrunners and the Joint Bookrunners, the "**Banks**"). The Company will apply for the Admission to Trading together with Citigroup.

This Prospectus is dated September 19, 2022 and has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*—the "**BaFin**") on September 19, 2022 in accordance with Art. 20 para. 2 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "**Prospectus Regulation**"). The BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de. The Company has requested BaFin to notify the approved Prospectus in accordance with Article 25 of the Prospectus Regulation, with a letter of approval attesting that this Prospectus has been prepared in accordance with the Prospectus Regulation, to the Austrian supervisory authority *Österreichische Finanzmarktaufsicht* ("**FMA**"), to the French supervisory authority *Autorité des marchés financiers* ("**AMF**"), to the Italian supervisory authority *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and to the Spanish supervisory authority *Comisión Nacional del Mercado de Valores* ("**CNMV**").

This summary should be read as an introduction to this Prospectus. Any decision to invest in the Preferred Shares of the Company should be based on a consideration of this Prospectus as a whole by an investor. Investors in the Preferred Shares of the Company could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

2. Key information on the issuer

2.1 Who is the issuer of the securities?

2.1.1 Issuer information

The Company is incorporated as a stock corporation (*Aktiengesellschaft*) governed by German law. The Company's registered office (*Sitz*) is in Stuttgart, Germany, and it is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart under HRB 730623. The Company can be contacted at its business address: Porscheplatz 1, 70435 Stuttgart, Germany, by telephone: +49 711 911 0, or via its website: www.porsche.com. The LEI of the Company is: 529900EWEX125AULXI58.

Each of the terms "**Porsche**", and "**Group**" means the Company and its consolidated subsidiaries.

2.1.2 Principal activities of the issuer

Porsche is one of the world's most successful luxury automotive manufacturers (based on 2021 unit sales in the global luxury automotive segment; source: S&P Global, "*S&P Global Mobility Light Vehicle Sales Forecast*", April 2022). Porsche believes that its iconic brand is synonymous with design and engineering heritage, racing legacy, performance, modern and sustainable luxury, prestige, innovation, technological achievement and reliability. Since the introduction in 1948 of the first official Porsche sports car, the Porsche Type 356, the Porsche brand's milestones have included the presentation of perhaps the most iconic sports car of all time, the Porsche 911 (then referred to as the Porsche 901), in 1963, a record 19 overall Le Mans victories, the launches of the Boxster in 1996 and the Cayenne in 2002, and the debut of Porsche's first series production battery-electric vehicle model ("**BEV**"), the Taycan, in 2019, among many others. Today, Porsche honors this legacy with an ambitious technological drive to reduce the impact of its vehicles and its operations on the environment while remaining committed to the famous words of Ferry Porsche: "The last car that will ever be built will be a sports car". Porsche sells cars in more than 120 countries worldwide across a network of more than 900 dealership and retail venues. Porsche's core product portfolio of passenger cars includes six model families: the 911, the Taycan, the Macan, the Cayenne, the Panamera and the 718 Boxster and Cayman (collectively, the "**718**"). Across these model families, the Group made 145,860 handovers of vehicles to end customers ("**Deliveries**") in the six months ended June 30, 2022 ("**H1 2022**") and 301,915 Deliveries in 2021. In addition to its core product portfolio, Porsche offers vehicle leasing and financing, flexible mobility solutions and various aftersales products and services, and Porsche Motorsport participates in and designs and produces powertrains and cars for use in various racing competitions. Porsche's headquarters and principal manufacturing facilities are located in Zuffenhausen, a district of Stuttgart, Germany, where it produces the Taycan, 911 and 718 models, along with Porsche Motorsport vehicles. The Group also maintains manufacturing facilities in Leipzig, Germany, where the Macan and Panamera are produced, and produces Cayenne models at the Volkswagen Group's multi-brand site in Bratislava, Slovakia. Weissach, Germany, hosts the Porsche Research and Development Center, where Porsche vehicles are developed from first sketch to series production. As of June 30, 2022, the Group had a total of 37,655 employees (headcount). Porsche fully embraces its responsibility to promote sustainable activity, both in its vehicles and its operations. Electrification is at the heart of the Group's strategy, with almost 25% of Deliveries in 2021 being plug-in hybrid electric vehicle models ("**PHEVs**") and BEVs (together with PHEVs, "**Electrified Vehicles**"), with BEVs (*i.e.*, Taycan models) alone constituting 14% of Deliveries in 2021. The Group's ambition is that, in 2025, over 50% of new vehicles delivered will be Electrified Vehicles and, in 2030, over 80% of new vehicles delivered will be BEVs. Operationally, the Group is working towards a net carbon neutral value chain in 2030. Porsche has exhibited a strong financial track record and is committed to maintaining and building on its historical performance. The Group has grown its sales revenue annually to EUR 33,138 million in 2021 from EUR 28,518 million in 2019, representing a compound annual growth rate of 8%, a trend which has continued in H1 2022, in which the Group recorded sales revenue of EUR 17,922 million, despite the military conflict in Ukraine (the "**Russia-Ukraine Conflict**"), energy price increases, ongoing supply chain disruptions and other challenges, as compared to EUR 16,525 million in the six months ended June 30, 2021.

2.1.3 Major shareholders

As of the date of this Prospectus, Volkswagen Aktiengesellschaft ("**Volkswagen AG**"), through Porsche GmbH, holds 100% of the issued and outstanding Preferred Shares, representing 50% of the entire issued and outstanding share capital of the Company, and 100% of the issued and outstanding ordinary bearer shares with no par value (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) in the Company (the "**Ordinary Shares**"), representing 50% of the entire issued and outstanding share capital of the Company.

2.1.4 Control

As of the date of this Prospectus, Volkswagen AG, through Porsche GmbH, holds an indirect controlling influence (*beherrschenden Einfluss*) in the Company within the meaning of Section 17 of the German Stock Corporation Act (*Aktiengesetz*; "**AktG**"). Volkswagen AG, through Porsche GmbH, will continue to hold an indirect controlling influence (*beherrschenden Einfluss*) in the Company following the completion of the Offering (as defined below). As Porsche Automobil Holding SE ("**Porsche SE**") holds the majority of ordinary shares in Volkswagen AG, the voting rights attached to 75% of the Ordinary Shares minus one Ordinary Share held indirectly by Volkswagen AG will—after the Admission to Trading and the transfer of a total sum of 25% of the Ordinary Shares plus one Ordinary Share to Porsche SE—be attributed to Porsche SE pursuant to Section 30 para. 1 sentence 1 no. 1 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*; "**WpÜG**") in conjunction with Section 290 para. 2 no. 1 of the German Commercial Code (*Handelsgesetzbuch*; "**HGB**"). Therefore, together with the voting rights attached to the directly held 25% of the Ordinary Shares plus one Ordinary Share by Porsche SE, Porsche SE will be considered to hold a sum of 100% of the voting rights in the Company, which qualifies as control (*Kontrolle*) under the then applicable Section 29 para. 2 WpÜG. Pursuant to a consortium agreement, the Porsche-Kiesling and Piëch families have direct and indirect control, respectively, over Porsche SE. The voting rights attached to the Company's Ordinary Shares and attributed to Porsche SE—as described before—will therefore after the Admission to Trading be attributed to the members of the families holding ordinary shares in Porsche SE accordingly.

2.1.5 Executive Board

The Company's executive board (*Vorstand*) consists of seven members: Dr. Oliver Blume (Chairperson), Lutz Meschke, Andreas Haffner, Detlev von Platen, Albrecht Reimold, Barbara Frenkel and Dr. Michael Steiner.

2.1.6 Auditors of the financial statements

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Friedrichstraße 14, 70174 Stuttgart, Germany ("**PwC**") has audited as independent auditor the consolidated financial statements of the Company as of and for the year ended December 31, 2019, and Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Flughafenstraße 61, 70629 Stuttgart, Germany ("**EY**"), has audited as independent auditor the consolidated financial statements of the Company as of and for the years ended December 31, 2020, and December 31, 2021. PwC and EY are members of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

2.2 What is the key financial information regarding the issuer?

The audited consolidated financial statements of the Company as of and for the year ended December 31, 2021 (the "**Audited 2021 Consolidated Financial Statements**"), the audited consolidated financial statements of the Company as of and for the year ended December 31, 2020 (the "**Audited 2020 Consolidated Financial Statements**"), the audited consolidated financial statements of the Company as of and for the year ended December 31, 2019 (the "**Audited 2019 Consolidated Financial Statements**", together with the Audited 2021 Consolidated Financial Statements and the Audited 2020 Consolidated Financial Statements, the "**Audited Consolidated Financial Statements**"), were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), and the German-language versions of these consolidated financial statements have been audited in accordance with Section 317 HGB and German generally accepted standards for financial statement audits by EY for 2021 and 2020 and by PwC for 2019, who have issued German-language independent auditor's reports (*Bestätigungsvermerke des unabhängigen Abschlussprüfers*) thereon. The independent auditor's reports contain emphasis of matter paragraphs with respect to the Audited 2020 Consolidated Financial Statements referring to the "diesel issue and potential regulatory issues identified" and with respect to the Audited 2019 Consolidated Financial Statements referring to the "emissions issue". The unaudited condensed consolidated interim financial statements of the Company as of and for the six months ended June 30, 2022 (the "**Unaudited Condensed Consolidated Interim Financial Statements**") were prepared in accordance with IFRS applicable to interim financial reporting (IAS 34). The Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements (together, the "**Consolidated Financial Statements**") reflect the Company and its consolidated subsidiaries.

Where financial information in the tables in this summary is labeled "audited", this means that it has been taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in the tables in this summary to indicate financial information that has not been taken from the Audited Consolidated Financial Statements, but has been derived from the Audited Consolidated Financial Statements or has been taken either from the Unaudited Condensed Consolidated Interim Financial Statements or the accounting records or the internal management reporting systems of the Company or has been calculated based on figures from the aforementioned sources.

2.2.1 Key financial information from the Consolidated Income Statement

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR millions, unless otherwise indicated)				
Sales revenue	17,922	16,525	33,138	28,695	28,518
Operating profit	3,480	2,792	5,314	4,177	3,862
Profit after tax	2,505	2,118	4,038	3,166	2,801
Period-on-period/year-on-year sales revenue growth (*unaudited*)	8%	—	15%	1%	—

2.2.2 Key financial information from the Consolidated Statement of Financial Position

	As of June 30,	As of December 31,		
	2022	2021	2020	2019
	(unaudited)	*(audited)*		
	(EUR millions)			
Total assets	55,055	51,382	45,491	42,366
Equity	15,043	22,935	20,224	17,428

2.2.3 Key financial information from the Consolidated Statement of Cash Flows

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited)*		
	(EUR millions)				
Cash flows from operating activities	3,922	3,653	6,416	4,140	4,486
Cash flows from investing activities	(898)	(3,701)	(5,965)	(3,019)	(3,617)
Cash flows from financing activities	(2,049)	(1,197)	(518)	78	(353)

2.2.4 Key Alternative Performance Measures(1)

	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(unaudited, unless otherwise indicated)*		
	(EUR millions, unless otherwise indicated)				
Return on Sales(2)	19.4%	16.9%	16.0%	14.6%	15.4%
Automotive Return on Sales(3)	19.9%	17.6%	16.6%	15.4%	16.2%
Automotive EBITDA(4)	4,341	3,854	7,420	6,391	6,318
Automotive EBITDA Margin(5)	26.4%	25.5%	24.5%	24.5%	24.2%
Automotive Return on Investment(6)	—	—	21.3%	18.1%	18.5%
Automotive Net Cash Flow(7)	2,389	2,601	3,676	2,198	1,491
Automotive Net Liquidity(8)	5,597	3,890	4,970	2,961	1,785

(1) The financial measures in this section 2.2.4 are Alternative Performance Measures and should not be viewed as an alternative to the equivalent IFRS financial measure.

(2) Return on Sales is defined as the ratio of Group operating profit excluding the diesel issue penalty notice in 2019 to Group sales revenue. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized.

(3) Automotive Return on Sales is defined as the ratio of Automotive operating profit excluding the diesel issue penalty notice in 2019 to Automotive sales revenue. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized.

(4) Automotive EBITDA is defined as Automotive operating profit excluding the diesel issue penalty notice in 2019 before depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs and other intangible assets, each in the Automotive segment. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized.

(5) Automotive EBITDA Margin is defined as the ratio of Automotive EBITDA (as defined above) to Automotive sales revenue.

(6) Automotive Return on Investment is defined as the ratio of Automotive operating profit after tax to average assets invested in the Automotive segment. Average assets invested in the Automotive segment is defined as total Automotive operating assets (property, plant and equipment, intangible assets, inventories and receivables) less Automotive non-interest-bearing liabilities (trade payables and payments on account received) at the beginning and end of the reporting period. Automotive Return on Investment for the years ended December 31, 2021, 2020 and 2019 is audited.

(7) Automotive Net Cash Flow is defined as cash flows from operating activities of the Automotive segment less cash flows from investing activities of current operations of the Automotive segment. The investing activities of current operations exclude the changes in investments in securities, loans and time deposits of the Automotive segment.

(8) Automotive Net Liquidity is defined as the total of cash and cash equivalents, securities, loans and time deposits net of third-party borrowings (non-current and current financial liabilities) of the Automotive segment. Automotive cash and cash equivalents include EUR 1,501 million of cash and cash equivalents that are classified as assets held for distribution as of June 30, 2022.

2.3 What are the key risks that are specific to the issuer?

- Demand for the Group's products and services depends on overall global economic and political conditions, particularly those in the Group's key markets of China, Europe and North America and any economic downturn could negatively affect the Group's sales revenue.
- The Russia-Ukraine Conflict and the sanctions imposed by numerous countries and multinational entities in response, as well as countermeasures by Russia, have had, and may continue to have, adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies and the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations.
- The Group is dependent on a reliable and affordable supply of energy, as are many of the Group's suppliers. In particular, any shortage of, government restrictions on or an outright stoppage of natural gas supplies to the German or greater European markets would represent a material risk to the Group's business, assets, results of operations, financial condition and prospects.
- The Group is dependent on the performance of third-party suppliers, many of which, in particular suppliers of semiconductors, are struggling to meet demand due to supply chain disruptions, which in turn could negatively impact the Group's operations.
- The Group's business, which depends on the timely availability of high-quality raw materials at reasonable prices and, in many cases, produced in a sustainable manner, is currently facing, and may continue to face, delays, shortages and price volatility as a result of global supply chain disruptions (especially caused by the Covid-19 pandemic and its aftermath as well as the Russia-Ukraine Conflict) and other factors which could negatively impact the Group's operations.
- The failure of certain software platforms and applications and related hardware architecture to be developed, delivered and rolled-out in a timely manner has led to the Group delaying product launches, and similar occurrences in the future could negatively impact the Group's ability to introduce its next generation of vehicles and electrify its existing product lineup.
- The consequences of the Covid-19 pandemic, including the resulting imposition of lockdowns and the negative impact on global supply chains and macroeconomic conditions, have negatively affected the Group and remain a risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects.
- If the Group fails to satisfy changing customer demand and respond to evolving market and technological trends with attractive and innovative products, technology and services on competitive terms, its future commercial success could be adversely impacted.
- The Group is exposed to risks regarding the development of its Electrified Vehicle offerings and the Electrified Vehicle market in general, including government support measures designed to encourage consumers to purchase Electrified Vehicles, which could result in less consumer demand than expected and impact the ability of the Group to achieve its sustainability ambitions.
- The Group's business strategy consists of transitioning to an Electrified Vehicle-centric portfolio, supporting the development of vehicle charging infrastructure worldwide, promoting the sustainability of its vehicles and operations, continuing to develop and curate luxury customer experiences, responding to future customer requirements, maintaining its strong financial track record and building up digital skills. Any failure to successfully execute its business strategy could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.
- The Group is subject to the risks associated with its international operations, in particular in China, including local legal and tax requirements, political instability, corruption, foreign exchange rate fluctuations, measures restricting

market access, including tariffs, local government-sponsored competition and logistical challenges, all of which could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

- New, existing or changes to existing climate change and vehicle emissions laws and regulations could result in substantial costs for the Group and have a significant effect on how the Group operates its business, and the Group may not be able to develop commercially viable vehicles that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products, including import prohibitions or restrictions on or revocations of the Group's permits and licenses.
- The Group is subject to risks related to investigations by government authorities in a number of jurisdictions worldwide regarding irregularities in the exhaust emissions from the Group's vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on the Group's reputation, business, assets, results of operations, financial condition and prospects.

3. Key information on the securities

3.1 What are the main features of the securities?

3.1.1 Type, class, par value

This summary relates to the offering of non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) of the Company; ISIN: DE000PAG9113; German Securities Code (*Wertpapierkennnummer, WKN*): PAG911; Trading Symbol: P911.

3.1.2 Number of securities

As of the date of this Prospectus, the share capital of the Company amounts to EUR 911,000,000 and is divided into 455,500,000 Preferred Shares and 455,500,000 Ordinary Shares. Each share represents a notional share of EUR 1.00 in the Company's share capital per no-par value share. All shares of the Company are fully paid up. This summary relates to the offering (the "**Offering**") of: (i) 99,021,740 Base Shares; and (ii) 14,853,260 Over-Allotment Shares and the Admission to Trading of all issued Preferred Shares of the Company comprising 455,500,000 Preferred Shares and representing 50% of the entire issued and outstanding share capital of the Company.

3.1.3 Currency

The Preferred Shares are denominated in Euro.

3.1.4 Rights attached

The Company's Preferred Shares carry no voting rights but—among other shareholders' rights—full dividend rights as of January 1, 2022 (subject to the profit and loss transfer agreement (*Gewinnabführungsvertrag*) between the Company and Porsche GmbH which will terminate pursuant to Section 307 AktG by operation of law at the end of the year ending December 31, 2022, assuming completion of the Offering). Holders of Preferred Shares will receive an extra dividend (*Mehrdividende*) of EUR 0.01 per Preferred Share on top of any dividend that the Company decides to pay to its shareholders.

3.1.5 Seniority

The Preferred Shares and the Ordinary Shares are subordinated to all other securities and claims in case of an insolvency of the Company. In case of an insolvency of the Company, the Preferred Shares and the Ordinary Shares rank equally.

3.1.6 Free transferability

The Preferred Shares are freely transferable in accordance with the legal requirements for non-voting preferred bearer shares (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien*). There are no restrictions on the transferability of the Preferred Shares other than lock-up agreements entered into between the Company, the Selling Shareholder, Volkswagen AG and the Banks.

3.1.7 Dividend policy

The Company currently intends to pay an annual dividend of approximately 50% of the Group's profit after tax attributable to the shareholders of the Company according to IFRS in the mid-term, subject to legal restrictions with respect to the distribution of profits and available funds and subject to prevailing market conditions and the economic situation at the time of the distribution.

Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements. Any proposal of the Company's executive board to pay dividends is subject to the approval of the Company's general meeting. The Company depends to some extent on the transfer of distributable profits from its operating subsidiaries. The Company's future ability to pay dividends may be limited by the terms of existing and future financing arrangements. The Company can make no predictions as to the size of any future profits available for distribution, and hence the Company cannot guarantee that dividends will be paid in the future.

3.2 Where will the securities be traded?

The Company will apply for admission of the Preferred Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*, the "**Frankfurt Stock Exchange**") and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard). Trading in the Preferred Shares on the Frankfurt Stock Exchange is expected to commence on September 29, 2022 (the "**First Trading Day**"). The Company currently does not intend to list its Ordinary Shares.

3.3 What are the key risks that are specific to the securities?

- The Preferred Shares have not been publicly traded, and there is no guarantee that an active and liquid market for the Preferred Shares will develop or can be maintained. Therefore, the price of the Preferred Shares may be subject to volatility, and investors may not be able to sell the Preferred Shares at the final offer price (the "**Offer Price**"), at a higher price or at all under certain circumstances.

- Following the Offering, the Company's largest shareholders, Volkswagen AG (through Porsche GmbH) and Porsche SE, could exert substantial influence on decisions reached by the Company's general meeting and could have diverging interests from those of the Group's other shareholders.

4. Key information on the offer of securities to the public and admission to trading on a regulated market

4.1 Under which conditions and timetable can I invest in this security?

4.1.1 Offer conditions

The Offering consists of: (i) 99,021,740 Base Shares; and (ii) 14,853,260 Over-Allotment Shares. The period during which investors may submit purchase orders for the Offer Shares is expected to commence on September 20, 2022, and to expire on September 28, 2022 (the "**Offer Period**").

4.1.2 Scope of the Offering

The Offer Shares will be offered through an initial public offering in Germany, Austria, France, Italy and Spain. In addition, the Offer Shares may be sold through a public offering in Switzerland in reliance on and pursuant to article 54(2) of the Swiss Financial Services Act dated June 15, 2018. The Offer Shares may also be sold through private placements in certain jurisdictions. In the United States of America (the "**United States**"), the Offer Shares will be offered and sold only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Outside the United States, the Offer Shares will be offered and sold only in offshore transactions in reliance on Regulation S under the Securities Act. The Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States.

4.1.3 Timetable of the Offering

The anticipated timetable of the Offering, which may be extended or shortened and remains subject to change, is as follows:

September 19, 2022	Approval of the Prospectus by BaFin / Notification of the approved Prospectus to FMA, AMF, CONSOB and CNMV / Publication of the approved Prospectus on the Company's website at investorrelations.porsche.com / Filing of the approved Prospectus with SIX Exchange Regulation Ltd.
September 19, 2022	Application for admission of the Preferred Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.
September 20, 2022	Commencement of the Offer Period.
September 28, 2022	Expiry of the Offer Period, which will occur at (i) 12:00 p.m. (noon) (CET) for private investors, and (ii) 2:00 p.m. (CET) for institutional investors on the last day of the Offer Period / Determination of the Offer Price and the final number of Preferred Shares to be allocated / Publication of the Offer Price in the form of an ad hoc release on an electronic information dissemination system and on the Company's website at investorrelations.porsche.com.
September 28, 2022	Admission to Trading decision to be issued by the Frankfurt Stock Exchange.
September 29, 2022	First Trading Day.
October 3, 2022	Book-entry delivery of the Offer Shares against payment of the Offer Price (closing).

4.1.4 Price Range and Offer Price

The price range within which purchase orders may be placed is EUR 76.50 to EUR 82.50 per Offer Share ("**Price Range**"). The Offer Price and the final number of shares placed in the Offering will be determined at the end of the bookbuilding process by the Selling Shareholder after consultation with the Company and the Joint Global Coordinators, as representatives of the Banks. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during the bookbuilding process.

4.1.5 Amendments to the terms of the Offering

The Selling Shareholder and the Company, after consultation with the Joint Global Coordinators, as representatives of the Banks, reserve the right (i) to increase or decrease the total number of Offer Shares, (ii) to increase or decrease the upper limit and/or the lower limit of the Price Range and/or (iii) to extend or shorten the Offer Period. Such changes will not invalidate any offers to purchase Offer Shares that have already been submitted. Under certain conditions, the Joint Global Coordinators, as representatives of the Banks, may terminate the Underwriting Agreement (as defined below), even after commencement of trading (*Aufnahme des Handels*) of the Preferred Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange. In such a case, the Offering will not take place and any allotments already made to investors will be invalidated.

4.1.6 Cornerstone Investors

Each of Qatar Holding LLC ("**QIA**"), Norges Bank Investment Management ("**NBIM**"), T. Rowe Price International Ltd, acting as investment manager on behalf of its advisory funds ("**T. Rowe Price**") and ADQ, acting through Alpha Oryx Limited ("**ADQ**") has agreed to be a cornerstone investor in the Offering (together the "**Cornerstone Investors**") and each of them entered into a cornerstone investor agreement with the Company, the Selling Shareholder and Volkswagen AG. QIA has undertaken to purchase 22,729,450 Preferred Shares (corresponding to 4.99% of the Company's Preferred Shares) at the Offer Price, subject to certain customary conditions. NBIM, T. Rowe Price and ADQ have undertaken to purchase Preferred Shares in the Offering up to the maximum aggregate amount of EUR 750 million in the case of NBIM, EUR 750 million in the case of T. Rowe Price and EUR 300 million in the case of ADQ at the Offer Price, subject to certain customary conditions.

4.1.7 Stabilization measures, over-allotment and Greenshoe Option

To cover potential over-allotments, the Selling Shareholder has agreed to make available up to 14,853,260 Over-Allotment Shares free of charge in the form of a securities loan. In connection with the placement of the Offer Shares, BofA Securities, acting in its own name and for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, acting in accordance with legal requirements, take stabilization measures to support the market price of the Preferred Shares. The Stabilization Manager is under no obligation to take any stabilization measures. Under the possible stabilization measures, investors may, in addition to the Base Shares, be allocated the Over-Allotment Shares as part of the allocation of the Offer Shares. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. Moreover, the Selling Shareholder granted the Underwriters an option to acquire a number of the Preferred Shares equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions (the "**Greenshoe Option**"). The Stabilization Manager, acting in its own name and for the account of the Underwriters, is entitled to exercise the Greenshoe Option to the extent over-allotments are made. The number of Preferred Shares that can be acquired under the Greenshoe Option is reduced by the number of Preferred Shares held by the Stabilization Manager on the date when the Greenshoe Option is exercised and that were acquired by the Stabilization Manager in the context of stabilization measures. The Greenshoe Option will terminate no later than thirty (30) calendar days after the commencement of trading of the Preferred Shares.

4.1.8 Plan for distribution

The allotment of Offer Shares to private investors and institutional investors will be decided by Volkswagen AG, the Selling Shareholder and the Company after consultation with the Joint Global Coordinators.

4.1.9 Dilution

The net asset value (total assets less current liabilities and non-current liabilities as shown in the Unaudited Condensed Consolidated Interim Financial Statements) (the "**Net Asset Value**") of the Company amounted to EUR 15,043 million as of June 30, 2022, or EUR 16.51 per share in the Company based on 911,000,000 outstanding shares of the Company immediately prior to the Offering. Thus, the amount by which the Net Asset Value per share is below the Offer Price of EUR 79.50 per share (based on the mid-point of the Price Range) is EUR 62.99 (immediate dilution to the new shareholders of the Company per share) or 79.2% by which the Net Asset Value per share is below the Offer Price of EUR 79.50 per share (based on the mid-point of the Price Range).

4.1.10 Total expenses

Assuming an Offer Price at the mid-point of the Price Range, placement of the maximum number of Base Shares and placement of the maximum number of Over-Allotment Shares (full exercise of the Greenshoe Option) and assuming the full payment of both a base fee and a discretionary fee, the costs and expenses of the Company and the Selling Shareholder and/ or Volkswagen AG related to the Offering and the Admission to Trading are expected to amount to approximately EUR 157 million, which will be borne by Volkswagen AG (whereby an amount of up to approximately EUR 2 million will be borne by the Company).

4.1.11 Expenses charged to Investors

None of the expenses incurred by the Company or the Banks will be charged to investors, but investors will themselves be required to bear the fees charged by their depositary bank for the purchase and holding of securities.

4.2 Who is the offeror and/or the person asking for admission to trading?

4.2.1 Offerors

The offerors are the Banks.

4.2.2 Admission to Trading

The Company will apply for the Admission to Trading together with Citigroup.

4.3 Why is this Prospectus being produced?

4.3.1 Reasons for the Offering and the Admission to Trading

The Company intends to apply for admission of its Preferred Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange to (i) enable the Company to gain access to the capital markets and (ii) highlight the intrinsic value in the Company.

Volkswagen AG and the Selling Shareholder intend to pursue the Offering to receive the net proceeds from the sale of the Base Shares and the Over-Allotment Shares, if and to the extent that the Greenshoe Option in relation to the Over-Allotment Shares is exercised and to allow the Company to gain more efficient access to the capital markets.

4.3.2 Use and Estimated Net Amount of Proceeds

The Company will not receive any proceeds from the sale of the Offer Shares. Assuming placement of the maximum number of Base Shares, placement of the maximum number of Over-Allotment Shares and full exercise of the Greenshoe Option, the Company estimates that the net proceeds to Volkswagen AG from the sale of the Offer Shares would amount to approximately EUR 8,896 million (assuming all Offer Shares are placed at the mid-point of the Price Range).

4.3.3 Underwriting Agreement

On September 19, 2022, the Company, the Selling Shareholder, Volkswagen AG and the Banks entered into an underwriting agreement relating to the offer and sale of the Offer Shares in connection with the Offering (the "**Underwriting Agreement**"). The Underwriting Agreement does not provide for a firm commitment of the Underwriters or the further Banks since their obligations are subject to the satisfaction of certain conditions, including, for example, the receipt of customary confirmations and legal opinions satisfactory to the requirements of the Banks, and the execution of a separate pricing agreement.

4.3.4 Material conflicts of interest pertaining to the Offering

There are no material conflicting interests with respect to the Offering or the Admission to Trading.

(II) ZUSAMMENFASSUNG DES PROSPEKTS

(GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS)

1. Einleitung mit Warnhinweisen

Dieser Prospekt (der "**Prospekt**") bezieht sich auf das öffentliche Angebot in der Bundesrepublik Deutschland ("**Deutschland**"), Österreich, Frankreich, Italien und Spanien von (i) 99.021.740 bestehenden auf den Inhaber lautenden stimmrechtslosen Vorzugsaktien ohne Nennbetrag (die "**Basisaktien**") aus dem Bestand der Porsche Holding Stuttgart GmbH, einer deutschen Gesellschaft mit beschränkter Haftung mit Sitz in Stuttgart, Deutschland, und Geschäftsanschrift in Porscheplatz 1, 70435 Stuttgart, Deutschland, eingetragen im Handelsregister des Amtsgerichts Stuttgart, Deutschland, unter HRB 739339 (die "**Porsche GmbH**" oder "**Veräußernde Aktionärin**"), und (ii) 14.853.260 bestehenden auf den Inhaber lautenden stimmrechtslosen Vorzugsaktien ohne Nennbetrag aus dem Bestand der Porsche GmbH im Zusammenhang mit einer möglichen Mehrzuteilung (die "**Mehrzuteilungsaktien**" und zusammen mit den Basisaktien, die "**Angebotsaktien**"), internationale Wertpapier-Identifikationsnummer ("**ISIN**") DE000PAG9113, der Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Geschäftsanschrift Porscheplatz 1, 70435 Stuttgart, Deutschland, (Telefon +49 711 911 0; Website: www.porsche.com) (die "**Gesellschaft**" oder "**Porsche AG**") sowie die Zulassung zum Handel am regulierten Markt der Frankfurter Wertpapierbörse (die "**Zulassung zum Handel**") der gesamten ausgegebenen auf den Inhaber lautenden stimmrechtslosen Vorzugsaktien ohne Nennbetrag der Gesellschaft (die "**Vorzugsaktien**"), bestehend aus 455.500.000 bestehenden Vorzugsaktien. In Ergänzung zu dem öffentlichen Angebot der Angebotsaktien in Deutschland, Österreich, Frankreich, Italien und Spanien können die Angebotsaktien ganz oder teilweise auch durch ein öffentliches Angebot in der Schweiz auf der Grundlage und in Anwendung von Artikel 54 Absatz 2 des Schweizerischen Finanzdienstleistungsgesetzes vom 15. Juni 2018, und in bestimmten Rechtsordnungen auch im Rahmen von Privatplatzierungen verkauft werden. Die Rechtsträgerkennung (*legal entity identifier code* "**LEI**") der Gesellschaft lautet: 529900EWEX125AULXI58. Die Angebotsaktien werden von der BofA Securities Europe SA, 51, rue La Boétie, 75008 Paris, Frankreich, LEI 549300FH0WJAPEHTIQ77 ("**BofA Securities**"), Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Deutschland, LEI 6TJCK1B7E7UTXP528Y04 ("**Citigroup**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Deutschland, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**") und J.P. Morgan SE, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Deutschland, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**") (die "**Joint Global Coordinators**" und einzeln jeweils ein "**Joint Global Coordinator**") und BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, Frankreich, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**"), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Deutschland, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**") und Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Deutschland, LEI 54930056FHWP7GIWYY08 ("**Morgan Stanley**") (die "**Senior Joint Bookrunners**" und einzeln jeweils ein "**Senior Joint Bookrunner**") und Banco Santander, S.A., Paseo de Pereda, 9-12, Santander, Spanien, LEI 5493006QMFDDMYWIAM13 ("**Santander**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, Irland, D02 RF29, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**"), Société Générale, 29 boulevard Haussmann, 75009 Paris, Frankreich, LEI O2RNE8IBXP4R0TD8PU41 ("**Société Générale**") und UniCredit Bank AG, Arabellastrasse 12, 81925 München, Deutschland, LEI 2ZCNRR8UK83OBTEK2170 ("**UniCredit**") (die "**Joint Bookrunners**" und einzeln jeweils ein "**Joint Bookrunner**" und zusammen mit den Joint Global Coordinators und den Senior Joint Bookrunners, die "**Konsortialbanken**") und COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Deutschland, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**"), Crédit Agricole Corporate and Investment Bank, 12 Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, Frankreich, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole CIB**"), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Deutschland, LEI B81CK4ESI35472RHJ606 ("**LBBW**") und Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Deutschland, LEI 213800G8QEXN34A2YG53 ("**Mizuho**") (die "**Co-Lead Managers**" und einzeln jeweils ein "**Co-Lead Manager**" und zusammen mit den Joint Global Coordinators, den Senior Joint Bookrunners und den Joint Bookrunners, die "**Banken**"), angeboten. Die Gesellschaft wird die Zulassung zum Handel gemeinsam mit Citigroup beantragen.

Dieser Prospekt ist auf den 19. September 2022 datiert und ist von der Bundesanstalt für Finanzdienstleistungsaufsicht (die "**BaFin**") am 19. September 2022 gemäß Art. 20 Abs. 2 der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates vom 14. Juni 2017 über den Prospekt, der beim öffentlichen Angebot von Wertpapieren oder bei deren Zulassung zum Handel an einem geregelten Markt zu veröffentlichen ist (die "**Prospektverordnung**"), gebilligt worden. Die BaFin ist unter der Anschrift Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland, telefonisch unter +49 228 4108-0 oder über ihre Website: www.bafin.de erreichbar. Die Gesellschaft hat die BaFin gebeten, den gebilligten Prospekt gemäß Artikel 25 der Prospektverordnung mit einer Bestätigung, dass der Prospekt im Einklang mit der Prospektverordnung erstellt wurde, an die österreichische Aufsichtsbehörde *Österreichische Finanzmarktaufsicht* ("**FMA**"), an die französische Aufsichtsbehörde *Autorité des marchés financiers* ("**AMF**"), an die italienische Aufsichtsbehörde *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") und an die spanische Aufsichtsbehörde *Comisión Nacional del Mercado de Valores* ("**CNMV**") zu notifizieren.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Anleger sollten sich bei der Entscheidung, in die Vorzugsaktien zu investieren, auf diesen Prospekt als Ganzen stützen. Anleger, die in die Vorzugsaktien investieren, könnten das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die betreffenden Wertpapiere für die Anleger eine Entscheidungshilfe darstellen würden.

2. Basisinformationen über die Emittentin

2.1 Wer ist die Emittentin der Wertpapiere?

2.1.1 Informationen über die Emittentin

Die Gesellschaft ist eine Aktiengesellschaft und unterliegt deutschem Recht. Die Gesellschaft hat ihren Sitz in Stuttgart, Deutschland und ist im Handelsregister des Amtsgerichts Stuttgart unter HRB 730623 eingetragen. Die Gesellschaft ist unter ihrer Geschäftsanschrift: Porscheplatz 1, 70435 Stuttgart, Deutschland, telefonisch unter +49 711 911 0 oder über ihre Website: www.porsche.com erreichbar. Der LEI der Gesellschaft lautet: 529900EWEX125AULXI58. Die Begriffe "**Porsche**" und "**Gruppe**" bezeichnen jeweils die Gesellschaft mit ihren konsolidierten Tochtergesellschaften.

2.1.2 Haupttätigkeiten der Emittentin

Porsche ist einer der erfolgreichsten Luxusautomobilhersteller der Welt (basierend auf im Jahr 2021 verkauften Einheiten in dem weltweiten Luxusautomobilsegment; Quelle: S&P Global, "*S&P Global Mobility Light Vehicle Sales Forecast*", April 2022). Porsche ist der Ansicht, dass seine ikonische Marke ein Synonym für Design und technisches Erbe, Rennsporthistorie, Leistung, modernen und nachhaltigen Luxus, Prestige, Innovation, technische Errungenschaften und Zuverlässigkeit ist. Seit der Einführung des ersten offiziellen Porsche-Sportwagens, dem Porsche 356, im Jahr 1948 gehören zu den Meilensteinen der Marke Porsche unter anderem die Vorstellung des vielleicht ikonischsten Sportwagens aller Zeiten, des Porsche 911 (damals als Porsche 901 bezeichnet), im Jahr 1963, ein Rekord von 19 Le-Mans-Gesamtsiegen, die Markteinführung des Boxster im Jahr 1996 und des Cayenne im Jahr 2002 sowie das Debüt des ersten serienmäßigen batterieelektrischen Fahrzeugmodells ("**BEV**") von Porsche, des Taycan, im Jahr 2019. Heute pflegt Porsche dieses Erbe durch das ehrgeizige technologische Bestreben, die Auswirkungen seiner Fahrzeuge und seines Betriebs auf die Umwelt zu reduzieren, und bleibt dabei den berühmten Worten von Ferry Porsche verpflichtet: "Das letzte Auto, das jemals gebaut wird, wird ein Sportwagen sein".

Porsche vertreibt seine Fahrzeuge in mehr als 120 Ländern weltweit über ein Netz von mehr als 900 Händlerbetrieben. Das Kernproduktportfolio von Porsche-Pkws umfasst sechs Modellfamilien: den 911, den Taycan, den Macan, den Cayenne, den Panamera sowie den 718 Boxster und Cayman (zusammen, der "**718**"). Über diese Modellfamilien hinweg hat die Gruppe in den sechs Monaten bis zum 30. Juni 2022 ("**H1 2022**") 145.860 Fahrzeuge an Endkunden übergeben ("**Auslieferungen**") und 301.915 Auslieferungen im Jahr 2021 vorgenommen. Neben dem Kernproduktportfolio bietet Porsche Fahrzeugleasing und -finanzierung, flexible Mobilitätslösungen und verschiedene After-Sales-Produkte und -Dienstleistungen an, und Porsche Motorsport beteiligt sich an verschiedenen Rennwettbewerben und entwickelt und produziert Antriebsstränge und Fahrzeuge für den dortigen Einsatz.

Der Hauptsitz und die wichtigsten Produktionsstätten von Porsche befinden sich in Stuttgart-Zuffenhausen, Deutschland. Dort werden der Taycan, der 911, die 718-Modelle sowie Fahrzeuge von Porsche Motorsport produziert. Die Gruppe unterhält außerdem Produktionsstätten in Leipzig, Deutschland, wo der Macan und der Panamera hergestellt werden, und produziert die Cayenne-Modelle am Mehrmarkenstandort des Volkswagen-Konzerns in Bratislava, Slowakei. In Weissach, Deutschland, befindet sich das Porsche Forschungs- und Entwicklungszentrum, in dem Porsche-Fahrzeuge von der ersten Skizze bis zur Serienfertigung entwickelt werden. Zum 30. Juni 2022 beschäftigte die Gruppe insgesamt 37.655 Mitarbeiter (Mitarbeiterzahl). Porsche bekennt sich sowohl bei seinen Fahrzeugen als auch seinen Betriebsabläufen vollumfänglich zu seiner Verantwortung für nachhaltiges Handeln. Die Elektrifizierung steht im Mittelpunkt der Konzernstrategie. Fast 25% der Auslieferungen im Jahr 2021 waren am Stromnetz aufladbare Hybrid-Elektrofahrzeugmodelle (*plug-in hybrid electric vehicles,* "**PHEVs**") und BEVs (zusammen mit PHEVs, "**elektrifizierte Fahrzeuge**"), wobei BEVs (d.h. Taycan-Modelle) allein 14% der Auslieferungen im Jahr 2021 ausmachten. Die Gruppe strebt an, dass im Jahr 2025 mehr als 50% der ausgelieferten Fahrzeuge elektrifizierte Fahrzeuge und im Jahr 2030 mehr als 80% der ausgelieferten Fahrzeuge BEVs sein werden. In operativer Hinsicht arbeitet die Gruppe auf eine bilanziell CO_2-neutrale Wertschöpfungskette im Jahr 2030 hin. Porsche hat eine starke finanzielle Erfolgsbilanz vorzuweisen und ist bestrebt, seine historische Leistung beizubehalten und auszubauen. Die Gruppe hat ihre Umsatzerlöse seit 2019 jährlich gesteigert, auf EUR 33.138 Mio. in 2021 von EUR 28.518 Mio. in 2019, was einer durchschnittlichen jährlichen Wachstumsrate von 8% entspricht, ein Trend, der sich in H1 2022 fortgesetzt hat, in denen die Gruppe trotz des militärischen Konflikts in der Ukraine (der "**Russland-Ukraine-Konflikt**"), Energiepreiserhöhungen, anhaltender Unterbrechungen der Lieferkette und anderer Herausforderungen Umsatzerlöse in Höhe von EUR 17.922 Mio. verzeichnete, verglichen mit EUR 16.525 Mio. in den sechs Monaten bis zum 30. Juni 2021.

2.1.3 Hauptaktionäre

Zum Datum dieses Prospekts hält die Volkswagen Aktiengesellschaft ("**Volkswagen AG**") über die Porsche GmbH 100% der ausgegebenen und ausstehenden Vorzugsaktien der Gesellschaft, die 50% des gesamten ausgegebenen und ausstehenden Grundkapitals der Gesellschaft ausmachen, und 100% der ausgegebenen und ausstehenden auf den Inhaber lautende Stammaktien ohne Nennbetrag der Gesellschaft (die "**Stammaktien**"), die 50% des gesamten ausgegebenen und ausstehenden Grundkapitals der Gesellschaft ausmachen.

2.1.4 Beherrschung

Zum Datum dieses Prospekts übt die Volkswagen AG durch die Porsche GmbH einen indirekten beherrschenden Einfluss im Sinne des § 17 des Aktiengesetzes ("**AktG**") auf die Gesellschaft aus. Die Volkswagen AG wird über die Porsche GmbH auch nach Vollzug des Angebots (wie unten definiert) einen beherrschenden Einfluss auf die Gesellschaft ausüben. Da die Porsche Automobil Holding SE ("**Porsche SE**") die Mehrheit der Stammaktien an der Volkswagen AG hält, werden die mit den von der Volkswagen AG gehaltenen 75% der Stammaktien abzüglich einer Stammaktie der Gesellschaft verbundenen Stimmrechte nach der Zulassung zum Handel und der Übertragung einer Summe von insgesamt 25% der Stammaktien zuzüglich einer Stammaktie der Gesellschaft an die Porsche SE gemäß § 30 Abs. 1 Satz 1 Nr. 1 des Wertpapiererwerbs- und Übernahmegesetzes ("**WpÜG**") i.V.m. § 290 Abs. 2 Nr. 1 des Handelsgesetzbuchs ("**HGB**") der Porsche SE zugerechnet. Daher wird zusammen mit den von der Porsche SE direkt gehaltenen 25% der Stammaktien zuzüglich einer Stammaktie der Gesellschaft verbundenen Stimmrechte die Porsche SE somit als Inhaber von 100% der Stimmrechte der Gesellschaft betrachtet werden, was als Kontrolle im Sinne des dann anwendbaren § 29 Abs. 2 WpÜG gilt.

Gemäß eines Konsortialvertrags üben die Familien Porsche-Kiesling und Piëch direkte bzw. indirekte Kontrolle über die Porsche SE aus. Die mit den der Porsche SE—wie zuvor beschrieben—zugerechneten Stammaktien der Gesellschaft verbundenen Stimmrechte werden daher nach Zulassung zum Handel den Mitgliedern der am Stammaktienkapital der Porsche SE beteiligten Familien entsprechend zugerechnet.

2.1.5 Vorstand

Der Vorstand der Gesellschaft besteht aus sieben Mitgliedern: Dr. Oliver Blume (Vorstandsvorsitzender), Lutz Meschke, Andreas Haffner, Detlev von Platen, Albrecht Reimold, Barbara Frenkel und Dr. Michael Steiner.

2.1.6 Abschlussprüfer

Als unabhängige Abschlussprüfer haben die PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Friedrichstraße 14, 70174 Stuttgart, Deutschland ("**PwC**") den Konzernabschluss der Gesellschaft für das zum 31. Dezember 2019 endende Geschäftsjahr und die Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Flughafenstraße 61, 70629 Stuttgart, Deutschland ("**EY**") die Konzernabschlüsse der Gesellschaft für die zum 31. Dezember 2020 und 31. Dezember 2021 endenden Geschäftsjahre geprüft. PwC und EY sind Mitglieder der Wirtschaftsprüferkammer, Rauchstraße 26, 10787 Berlin, Deutschland.

2.2 Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Der geprüfte Konzernabschluss der Gesellschaft für das zum 31. Dezember 2021 endende Geschäftsjahr (der "**Geprüfte Konzernabschluss 2021**"), der geprüfte Konzernabschluss der Gesellschaft für das zum 31. Dezember 2020 endende Geschäftsjahr (der "**Geprüfte Konzernabschluss 2020**"), der geprüfte Konzernabschluss der Gesellschaft für das zum 31. Dezember 2019 endende Geschäftsjahr (der "**Geprüfte Konzernabschluss 2019**", zusammen mit dem Geprüften Konzernabschluss 2021 und dem Geprüften Konzernabschluss 2020, die "**Geprüften Konzernabschlüsse**"), wurden in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind ("**IFRS**"), erstellt und die deutschsprachigen Versionen dieser Konzernabschlüsse wurden für 2020 und 2021 durch EY und für 2019 durch PwC nach § 317 HGB unter Beachtung der deutschen Grundsätze ordnungsmäßiger Abschlussprüfung geprüft und jeweils mit deutschsprachigen Bestätigungsvermerken des unabhängigen Abschlussprüfers versehen. Die Bestätigungsvermerke der unabhängigen Abschlussprüfer enthalten Hinweise zur Hervorhebung eines Sachverhalts in Bezug auf den Geprüften Konzernabschluss 2020 die "Dieselthematik und festgestellte potenzielle regulatorische Themen" betreffend und in Bezug auf den Geprüften Konzernabschluss 2019 die "Abgasthematik" betreffend. Der ungeprüfte verkürzte Konzern-Zwischenabschluss der Gesellschaft für das zum 30. Juni 2022 endende Halbjahr (der "**Ungeprüfte Verkürzte Konzern-Zwischenabschluss**") wurde nach den IFRS für Zwischenberichterstattung (IAS 34) erstellt. Die Geprüften Konzernabschlüsse und der Ungeprüfte Verkürzte Konzern-Zwischenabschluss (gemeinsam die "**Konzernabschlüsse**") beschreiben die Gesellschaft mit ihren konsolidierten Tochtergesellschaften.

Sofern in Tabellen dieser Zusammenfassung dargestellte Finanzinformationen als "geprüft" gekennzeichnet sind, bedeutet dies, dass sie den Geprüften Konzernabschlüssen entnommen wurden. Durch die Kennzeichnung "ungeprüft" wird in den Tabellen dieser Zusammenfassung darauf hingewiesen, dass Finanzinformationen nicht den Geprüften Konzernabschlüssen entnommen wurden, sondern aus den Geprüften Konzernabschlüssen abgeleitet oder dem Ungeprüften Verkürzten Konzern-Zwischenabschluss, den Buchhaltungsunterlagen oder den internen Berichterstattungssystemen der Gesellschaft entnommen oder auf Grundlage von Zahlen aus den vorstehenden Quellen berechnet wurden.

2.2.1 Wesentliche Finanzinformationen aus der Konzern-Gewinn-und-Verlustrechnung

	Für das Halbjahr zum 30. Juni		**Für das Jahr zum 31. Dezember**		
	2022	**2021**	**2021**	**2020**	**2019**
	(ungeprüft)		*(geprüft, sofern nicht anders angegeben)*		
	(in EUR Millionen, sofern nicht anders angegeben)				
Umsatzerlöse	17.922	16.525	33.138	28.695	28.518
Operatives Ergebnis	3.480	2.792	5.314	4.177	3.862
Ergebnis nach Steuern	2.505	2.118	4.038	3.166	2.801
Umsatzwachstum Perioden/Jahresvergleich *(ungeprüft)*	8%	—	15%	1%	—

2.2.2 Wesentliche Finanzinformationen aus der Konzernbilanz

	Zum 30. Juni	**Zum 31. Dezember**		
	2022	**2021**	**2020**	**2019**
	(ungeprüft)	*(geprüft)*		
	(in EUR Millionen)			
Aktiva	55.055	51.382	45.491	42.366
Eigenkapital	15.043	22.935	20.224	17.428

2.2.3 Wesentliche Finanzinformationen aus der Konzern-Kapitalflussrechnung

	Für das Halbjahr zum 30. Juni		**Für das Jahr zum 31. Dezember**		
	2022	**2021**	**2021**	**2020**	**2019**
	(ungeprüft)		*(geprüft)*		
	(in EUR Millionen)				
Cashflow aus laufender Geschäftstätigkeit	3.922	3.653	6.416	4.140	4.486
Cashflow aus Investitionstätigkeit	(898)	(3.701)	(5.965)	(3.019)	(3.617)
Cashflow aus Finanzierungstätigkeit	(2.049)	(1.197)	(518)	78	(353)

2.2.4 Wesentliche Alternative Leistungskennzahlen[(1)]

	Zum und für das Halbjahr zum 30. Juni		Zum und für das Jahr zum 31. Dezember		
	2022	2021	2021	2020	2019
	(ungeprüft)		(ungeprüft, sofern nicht anders angegeben)		
	(in EUR Millionen, sofern nicht anders angegeben)				
Operative Umsatzrendite[(2)]	19,4%	16,9%	16,0%	14,6%	15,4%
Operative Umsatzrendite Automobile[(3)]	19,9%	17,6%	16,6%	15,4%	16,2%
EBITDA Automobile[(4)]	4.341	3.854	7.420	6.391	6.318
EBITDA Marge Automobile[(5)]	26,4%	25,5%	24,5%	24,5%	24,2%
Kapitalrendite Automobile[(6)]	—	—	21,3%	18,1%	18,5%
Netto-Cashflow Automobile[(7)]	2.389	2.601	3.676	2.198	1.491
Nettoliquidität Automobile[(8)]	5.597	3.890	4.970	2.961	1.785

(1) Die Finanzkennzahlen in diesem Abschnitt 2.2.4 sind Alternative Leistungskennzahlen und sollten nicht als Alternative zur entsprechenden IFRS-Finanzkennzahl betrachtet werden.

(2) Operative Umsatzrendite ist definiert als das Verhältnis des operativen Ergebnisses der Gruppe ohne den im Zusammenhang mit der Dieselthematik erlassenen Bußgeldbescheid im Jahr 2019 zu den Umsatzerlösen der Gruppe. Im Jahr 2019 erhielt die Gruppe im Zusammenhang mit der Dieselthematik einen Bußgeldbescheid der Staatsanwaltschaft Stuttgart in Höhe von EUR 535 Mio. Andere emissionsbezogene Aufwendungen oder Erträge, die der Gruppe entstanden sind, wurden nicht bereinigt oder normalisiert.

(3) Operative Umsatzrendite Automobile ist definiert als das Verhältnis des operativen Ergebnisses des Segments Automobile ohne den im Zusammenhang mit der Dieselthematik im Jahr 2019 erlassenen Bußgeldbescheid zu den Umsatzerlösen des Segments Automobile. Im Jahr 2019 erhielt die Gruppe im Zusammenhang mit der Dieselthematik einen Bußgeldbescheid der Staatsanwaltschaft Stuttgart in Höhe von EUR 535 Mio. Andere emissionsbezogene Aufwendungen oder Erträge, die der Gruppe entstanden sind, wurden nicht bereinigt oder normalisiert.

(4) Das EBITDA Automobile ist definiert als operatives Ergebnis des Segments Automobile ohne den im Zusammenhang mit der Dieselthematik erlassenen Bußgeldbescheid im Jahr 2019 vor Abschreibungen und Wertminderungen/Wertaufholungen auf Sachanlagen, aktivierte Entwicklungskosten und sonstige immaterielle Vermögenswerte, jeweils im Segment Automobile. Im Jahr 2019 erhielt die Gruppe im Zusammenhang mit der Dieselthematik einen Bußgeldbescheid der Staatsanwaltschaft Stuttgart in Höhe von EUR 535 Mio. Andere emissionsbezogene Aufwendungen oder Erträge, die der Gruppe entstanden sind, wurden nicht bereinigt oder normalisiert

(5) EBITDA Marge Automobile ist definiert als das Verhältnis von EBITDA Automobile (wie oben definiert) zu den Umsatzerlösen Automobile.

(6) Kapitalrendite Automobile ist definiert als das Verhältnis des operativen Ergebnisses nach Steuern im Segment Automobile zum durchschnittlich investierten Vermögen im Segment Automobile. Das durchschnittlich investierte Vermögen im Segment Automobile ist definiert als das gesamte betriebliche Vermögen Automobile (Sachanlagen, immaterielle Vermögenswerte, Vorräte und Forderungen) abzüglich der unverzinslichen Verbindlichkeiten Automobile (Verbindlichkeiten aus Lieferungen und Leistungen und erhaltene Anzahlungen) zu Beginn und am Ende des Berichtszeitraums. Kapitalrendite Automobile für die zum 31. Dezember 2021, 2020 und 2019 endenden Geschäftsjahre ist geprüft.

(7) Netto-Cashflow Automobile ist definiert als Cashflow aus laufender Geschäftstätigkeit des Segments Automobile abzüglich des Cashflows aus Investitionstätigkeit laufendes Geschäft des Segments Automobile. Die Investitionstätigkeit laufendes Geschäft beinhaltet nicht die Veränderung der Geldanlagen in Wertpapieren, Darlehensforderungen und Termingeldanlagen des Automobile Segments.

(8) Nettoliquidität Automobile ist definiert als die Summe von Zahlungsmitteln und Zahlungsmitteläquivalenten, Wertpapieren, Darlehensforderungen und Termingeldanlagen abzüglich Kreditstand (lang- und kurzfristige Finanzschulden) im Segment Automobile. In den Zahlungsmitteln und Zahlungsmitteläquivalenten Automobile sind EUR 1.501 Mio. an Zahlungsmitteln und Zahlungsmitteläquivalenten enthalten, die zum 30. Juni 2022 als zur Ausschüttung gehaltene Vermögenswerte eingestuft sind.

2.3 Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?

- Die Nachfrage nach den Produkten und Dienstleistungen der Gruppe hängt von den globalen wirtschaftlichen und politischen Rahmenbedingungen ab, insbesondere von denjenigen in den Schlüsselmärkten der Gruppe—China, Europa und Nordamerika—, und jeder wirtschaftliche Abschwung könnte sich negativ auf die Umsatzerlöse der Gruppe auswirken.
- Der Russland-Ukraine-Konflikt und die von zahlreichen Ländern und multinationalen Unternehmen als Reaktion darauf verhängten Sanktionen sowie die Gegenmaßnahmen Russlands hatten und haben möglicherweise weiterhin negative Auswirkungen auf die Weltwirtschaft, die globalen Kapitalmärkte, den internationalen Handel, Lieferketten, Energiepreise und -versorgung sowie die Preise und die Verfügbarkeit von Rohstoffen, Teilen und Komponenten, was sich jeweils negativ auf die Geschäftstätigkeit der Gruppe auswirken könnte.
- Die Gruppe ist von einer zuverlässigen und kostengünstigen Energieversorgung abhängig, ebenso wie viele der Lieferanten der Gruppe. Insbesondere würde eine Verknappung, eine staatliche Einschränkung oder eine völlige Einstellung der Erdgaslieferungen an den deutschen oder den europäischen Markt ein wesentliches Risiko für die Geschäftstätigkeit, die Vermögens-, Finanz- und Ertragslage und die Aussichten der Gruppe darstellen.
- Die Gruppe ist von der Leistung von Drittlieferanten abhängig, von denen viele, insbesondere Halbleiterlieferanten, aufgrund von Unterbrechungen der Lieferkette Schwierigkeiten haben, die Nachfrage zu befriedigen, was sich wiederum negativ auf die Geschäftstätigkeit der Gruppe auswirken könnte.

- Die Geschäftstätigkeit der Gruppe, die von der rechtzeitigen Verfügbarkeit hochwertiger und in vielen Fällen nachhaltig produzierter Rohstoffe zu angemessenen Preisen abhängt, ist derzeit und möglicherweise auch in Zukunft mit Verzögerungen, Engpässen und Preisschwankungen infolge von Unterbrechungen der globalen Lieferketten (insbesondere durch die Covid-19 Pandemie und ihre Nachwirkungen sowie den Russland-Ukraine-Konflikt) und anderen Faktoren konfrontiert, die sich negativ auf die Geschäftstätigkeit der Gruppe auswirken könnten.
- Die Tatsache, dass bestimmte Software-Plattformen und -Anwendungen sowie die dazugehörige Hardware-Architektur nicht rechtzeitig entwickelt, geliefert und eingeführt werden konnten, hat dazu geführt, dass die Gruppe die Markteinführung von Produkten verzögert hat, und ähnliche Ereignisse in der Zukunft könnten sich negativ auf die Fähigkeit der Gruppe auswirken, ihre nächste Fahrzeuggeneration einzuführen und ihre bestehende Produktpalette zu elektrifizieren.
- Die Folgen der Covid-19-Pandemie, einschließlich der daraus resultierenden Lockdowns und der negativen Auswirkungen auf die globalen Lieferketten und die makroökonomischen Bedingungen, haben sich negativ auf die Gruppe ausgewirkt und stellen nach wie vor ein Risiko für die Weltwirtschaft sowie für die Geschäftstätigkeit, die Vermögens-, Finanz- und Ertragslage und die Aussichten der Gruppe dar.
- Sollte es der Gruppe nicht gelingen, sich ändernde Kundenpräferenzen zu befriedigen und auf sich entwickelnde Markt- und Technologietrends mit attraktiven und innovativen Produkten, Technologien und Dienstleistungen zu wettbewerbsfähigen Bedingungen zu reagieren, könnte ihr künftiger wirtschaftlicher Erfolg beeinträchtigt werden.
- Die Gruppe ist Risiken in Bezug auf die Entwicklung ihres Angebots an elektrifizierten Fahrzeugen und des Marktes für elektrifizierte Fahrzeuge im Allgemeinen ausgesetzt, inklusive von staatlichen Fördermaßnahmen die darauf ausgerichtet sind, Verbraucher zum Kauf von elektrifizierten Fahrzeugen anzuregen, welche die Kundennachfrage reduzieren und die Fähigkeit der Gruppe beeinträchtigen könnten, ihre Nachhaltigkeitsziele zu erreichen.
- Die Geschäftsstrategie der Gruppe besteht darin, den Übergang zu einem auf elektrifizierte Fahrzeuge ausgerichteten Portfolio zu vollziehen, die Entwicklung der Fahrzeugladeinfrastruktur weltweit zu unterstützen, die Nachhaltigkeit ihrer Fahrzeuge und ihrer Geschäftstätigkeit zu fördern, weiterhin luxuriöse Kundenerlebnisse zu entwickeln und zu kuratieren, auf künftige Kundenanforderungen zu reagieren, ihre solide finanzielle Erfolgsbilanz aufrechtzuerhalten und digitale Kompetenzen aufzubauen. Sollte es dem Unternehmen nicht gelingen, seine Geschäftsstrategie erfolgreich umzusetzen, könnte dies erhebliche nachteilige Auswirkungen auf die Geschäftstätigkeit, die Vermögens-, Finanz- und Ertragslage und die Aussichten der Gruppe haben.
- Die Gruppe unterliegt den mit ihrer internationalen Geschäftstätigkeit verbundenen Risiken, insbesondere in China, einschließlich lokaler rechtlicher und steuerlicher Anforderungen, politischer Instabilität, Korruption, Wechselkursschwankungen, Marktzugangsbarrieren einschließlich von Zöllen, von der lokalen Regierung geförderten Wettbewerbern und logistischen Herausforderungen, die alle wesentliche nachteilige Auswirkungen auf die Geschäftstätigkeit, die Vermögenswerte, das Betriebsergebnis, die Finanzlage und die Aussichten der Gruppe haben könnten.
- Neue, bestehende oder Änderungen bestehender Gesetze und Vorschriften zum Klimawandel und zu Fahrzeugemissionen könnten der Gruppe erhebliche Kosten verursachen und sich erheblich auf die Geschäftstätigkeit der Gruppe auswirken, und die Gruppe könnte nicht in der Lage sein, diesen Vorschriften entsprechende kommerziell erfolgreiche Fahrzeuge zu entwickeln. Die Nichteinhaltung solcher Vorschriften könnte zu behördlichen Verfahren, erheblichen Geldstrafen und Einschränkungen der Fähigkeit der Gruppe, ihre Produkte zu vermarkten, einschließlich von Einfuhrverboten oder -beschränkungen oder dem Entzug von Genehmigungen und Lizenzen der Gruppe führen.
- Die Gruppe unterliegt Risiken im Zusammenhang mit Ermittlungen von Regierungsbehörden in verschiedenen Rechtsordnungen in Bezug auf Unregelmäßigkeiten bei den Abgasemissionen ihrer Fahrzeuge. Die Ergebnisse dieser und weiterer Untersuchungen sowie die damit verbundenen zivil- und strafrechtlichen Rechtsstreitigkeiten können erhebliche nachteilige Auswirkungen auf den Ruf, die Geschäftstätigkeit, die Vermögens-, Finanz- und Ertragslage und die Aussichten der Gruppe haben.

3. Basisinformationen über die Wertpapiere

3.1 Welches sind die wichtigsten Merkmale der Wertpapiere?

3.1.1 Art, Gattung, Nennwert

Diese Zusammenfassung bezieht sich auf das Angebot von auf den Inhaber lautenden stimmrechtslosen Vorzugsaktien ohne Nennbetrag der Gesellschaft, ISIN: DE000PAG9113, Wertpapierkennnummer (WKN): PAG911, Handelssymbol: P911.

3.1.2 Anzahl der Wertpapiere

Das Grundkapital der Gesellschaft beträgt zum Datum dieses Prospekts EUR 911.000.000 und ist eingeteilt in 455.500.000 Vorzugsaktien und 455.500.000 Stammaktien. Jede Aktie repräsentiert einen rechnerischen Anteil am Grundkapital der Gesellschaft von EUR 1,00 pro nennbetragsloser Aktie. Alle Aktien der Gesellschaft sind voll eingezahlt. Diese Zusammenfassung bezieht sich auf das Angebot (das "**Angebot**") von (i) 99.021.740 Basisaktien und (ii) 14.853.260 Mehrzuteilungsaktien sowie die Zulassung zum Handel der gesamten ausgegebenen Vorzugsaktien der Gesellschaft, insgesamt 455.500.000 Vorzugsaktien, die 50% des gesamten ausgegebenen und ausstehenden Grundkapitals der Gesellschaft ausmachen.

3.1.3 Währung

Die Vorzugsaktien sind in Euro denominiert.

3.1.4 Verbundene Rechte

Die Vorzugsaktien der Gesellschaft haben kein Stimmrecht, aber—neben anderen Aktionärsrechten—ab dem 1. Januar 2022 volle Dividendenberechtigung (vorbehaltlich des Gewinnabführungsvertrags zwischen der Gesellschaft und der Porsche GmbH, der gemäß § 307 AktG kraft Gesetzes zum Ende des am 31. Dezember 2022 endenden Geschäftsjahres unter der Annahme des Vollzugs des Angebots endet). Die Inhaber von Vorzugsaktien erhalten eine Mehrdividende von EUR 0,01 je Vorzugsaktie zusätzlich zu der Dividende, die die Gesellschaft an ihre Aktionäre auszuschütten beschließt.

3.1.5 Rang

Die Vorzugsaktien und die Stammaktien sind im Fall einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig. Im Fall einer Insolvenz der Gesellschaft sind die Vorzugsaktien und die Stammaktien gleichrangig.

3.1.6 Freie Handelbarkeit

Die Vorzugsaktien sind nach den gesetzlichen Bestimmungen für auf den Inhaber lautende stimmrechtslose Vorzugsaktien frei übertragbar. Abgesehen von zwischen der Gesellschaft, der Veräußernden Aktionärin, der Volkswagen AG und den Banken abgeschlossenen Lock-up-Vereinbarungen bestehen keine Beschränkungen in Bezug auf die Übertragbarkeit der Vorzugsaktien.

3.1.7 Dividendenpolitik

Die Gesellschaft beabsichtigt derzeit, mittelfristig eine jährliche Dividende in Höhe von etwa 50% des den Anteilseignern zurechenbaren Ergebnisses nach Steuern der Gruppe nach IFRS zu zahlen, vorbehaltlich gesetzlicher Beschränkungen in Bezug auf die Gewinnausschüttung und verfügbare Mittel sowie in Abhängigkeit von den vorherrschenden Marktbedingungen und der wirtschaftlichen Lage zum Zeitpunkt der Ausschüttung.

Jede künftige Entscheidung über die Ausschüttung von Dividenden wird in Übereinstimmung mit den geltenden Gesetzen getroffen und hängt unter anderem von den Betriebsergebnissen, der Finanzlage, den vertraglichen Beschränkungen und dem Kapitalbedarf der Gesellschaft ab. Jeder Vorschlag des Vorstands der Gesellschaft zur Ausschüttung von Dividenden unterliegt der Genehmigung durch die Hauptversammlung. Die Gesellschaft ist in gewissem Maße von der Abführung ausschüttungsfähiger Gewinne durch ihre operativen Tochtergesellschaften abhängig. Die künftige Fähigkeit der Gesellschaft, Dividenden zu zahlen, kann durch die Bedingungen bestehender und künftiger Finanzierungsvereinbarungen eingeschränkt sein. Die Gesellschaft kann keine Vorhersagen über die Höhe der künftig zur Ausschüttung verfügbaren Gewinne machen und kann daher nicht garantieren, dass in Zukunft Dividenden gezahlt werden.

3.2 Wo werden die Wertpapiere gehandelt?

Die Gesellschaft wird die Zulassung der Vorzugsaktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse (die "**Frankfurter Wertpapierbörse**") mit gleichzeitiger Zulassung zum Teilsegment des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen. Der Handel mit den Vorzugsaktien an der Frankfurter Wertpapierbörse wird voraussichtlich am 29. September 2022 (der "**Erster Handelstag**") beginnen. Die Gesellschaft beabsichtigt gegenwärtig nicht, die Stammaktien zum Handel zuzulassen.

3.3 Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

- Die Vorzugsaktien wurden bisher nicht an der Börse gehandelt und es gibt keine Garantie dafür, dass sich ein aktiver und liquider Markt für die Vorzugsaktien entwickeln wird oder aufrechterhalten werden kann. Daher unterliegt der Kurs der Vorzugsaktien möglicherweise einer Volatilität und Anleger werden unter bestimmten Umständen möglicherweise nicht in der Lage sein, die Aktien zum endgültigen Angebotspreis (der "**Angebotspreis**"), einem höheren Preis oder überhaupt verkaufen zu können.
- Nach dem Angebot haben die Volkswagen AG (durch die Porsche GmbH) und die Porsche SE, die größten Aktionäre der Gesellschaft, die Möglichkeit zur erheblichen Einflussnahme auf Hauptversammlungsentscheidungen der Gesellschaft und haben möglicherweise abweichende Interessen gegenüber den anderen Gesellschaftern der Gruppe.

4. Basisinformationen über das öffentliche Angebot von Wertpapieren und die Zulassung zum Handel an einem geregelten Markt

4.1 Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

4.1.1 Angebotskonditionen

Das Angebot besteht aus (i) 99.021.740 Basisaktien und (ii) 14.853.260 Mehrzuteilungsaktien. Der Angebotszeitraum, in dem Anleger Kaufangebote für die Angebotsaktien abgeben können, beginnt voraussichtlich am 20. September 2022 und endet voraussichtlich am 28. September 2022 (der "**Angebotszeitraum**").

4.1.2 Umfang des Angebots

Die Angebotsaktien werden in einem erstmaligen öffentlichen Angebot in Deutschland, Österreich, Frankreich, Italien und Spanien angeboten. Zusätzlich können die Angebotsaktien auch durch ein öffentliches Angebot in der Schweiz, gestützt auf und in Anwendung von Artikel 54 Absatz 2 des Schweizerischen Finanzdienstleistungsgesetzes vom 15. Juni 2018, verkauft werden. Die Angebotsaktien können auch durch Privatplatzierungen in bestimmten Rechtsordnungen verkauft werden. In den Vereinigten Staaten von Amerika (die "**Vereinigten Staaten**") werden die Angebotsaktien nur qualifizierten institutionellen Käufern (Qualified Institutional Buyers, "**QIBs**") im Sinne von Rule 144A des Securities Act of 1933 der Vereinigten Staaten in der jeweils gültigen Fassung (der "**Securities Act**") angeboten und verkauft. Außerhalb der Vereinigten Staaten werden die Angebotsaktien nur im Rahmen von Offshore-Transaktionen auf der Grundlage von Regulation S des Securities Act angeboten und verkauft. Die Angebotsaktien wurden und werden nicht nach dem Securities Act oder bei einer Wertpapieraufsichtsbehörde eines Bundesstaates oder einer anderen Gebietskörperschaft in den Vereinigten Staaten registriert.

4.1.3 Zeitplan des Angebots

Der voraussichtliche Zeitplan des Angebots, das verlängert oder verkürzt werden kann und weiterhin Änderungen unterliegen kann, sieht wie folgt aus:

19. September 2022	Billigung des Prospekts durch die BaFin / Notifizierung des gebilligten Prospekts an FMA, AMF, CONSOB und CNMV / Veröffentlichung des gebilligten Prospekts auf der Website der Gesellschaft unter investorrelations.porsche.com / Hinterlegung des genehmigten Prospekts bei der SIX Exchange Regulation Ltd.
19. September 2022	Antrag auf Zulassung der Vorzugsaktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilsegment des regulierten Marktes der Frankfurter Wertpapierbörse mit weiteren Zulassungsfolgepflichten (Prime Standard).
20. September 2022	Beginn des Angebotszeitraums.
28. September 2022	Ablauf des Angebotszeitraums, der am letzten Tag des Angebotszeitraums um (i) 12:00 Uhr (MEZ) für private Anleger bzw. um (ii) 14:00 Uhr (MEZ) für institutionelle Anleger eintreten wird / Festlegung des Angebotspreises und der endgültigen Anzahl der zuzuteilenden Vorzugsaktien / Veröffentlichung des Angebotspreises in Form einer Ad-hoc-Mitteilung über ein elektronisches Informationsverbreitungssystem und auf der Website der Gesellschaft unter investorrelations.porsche.com.
28. September 2022	Entscheidung über die Zulassung zum Handel durch die Frankfurter Wertpapierbörse.
29. September 2022	Erster Handelstag.
3. Oktober 2022	Buchmäßige Lieferung der Angebotsaktien gegen Zahlung des Angebotspreises (Closing).

4.1.4 Preisspanne und Angebotspreis

Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, beträgt EUR 76,50 bis EUR 82,50 je Angebotsaktie (“**Preisspanne**”). Der Angebotspreis und die endgültige Anzahl der Aktien, die im Rahmen des Angebots platziert werden, werden am Ende des Bookbuilding-Verfahrens von der Veräußernden Aktionärin nach Abstimmung mit der Gesellschaft sowie mit den Joint Global Coordinators als Vertreter der Banken festgesetzt. Der Angebotspreis wird auf Grundlage der von den Anlegern während des Angebotszeitraums abgegebenen Kaufangebote, die in dem während des Bookbuilding-Verfahrens erstellten Orderbuch gesammelt worden sind, festgesetzt.

4.1.5 Änderungen der Angebotsbedingungen

Die Veräußernde Aktionärin und die Gesellschaft behalten sich nach Abstimmung mit den Joint Global Coordinators als Vertreter der Banken das Recht vor, (i) die Gesamtzahl der Angebotsaktien zu erhöhen oder zu verringern, (ii) die Obergrenze und/oder die Untergrenze der Preisspanne zu erhöhen oder zu verringern und/oder (iii) den Angebotszeitraum zu verlängern oder zu verkürzen. Solche Änderungen führen nicht zur Ungültigkeit bereits abgegebener Kaufangebote für die Angebotsaktien. Unter bestimmten Voraussetzungen können die Joint Global Coordinators als Vertreter der Banken den Übernahmevertrag (wie nachstehend definiert) auch nach Aufnahme des Handels mit den Vorzugsaktien im regulierten Markt der Frankfurter Wertpapierbörse kündigen. In diesem Fall findet das Angebot nicht statt und bereits erfolgte Zuteilungen an die Anleger werden annulliert.

4.1.6 Cornerstone-Investoren

Qatar Holding LLC (“**QIA**”), Norges Bank Investment Management (“**NBIM**”), T. Rowe Price International Ltd, handelnd als Investment Manager für seine Advisory Funds (“**T. Rowe Price**”) und ADQ, handelnd durch Alpha Oryx Limited (“**ADQ**”) haben sich jeweils verpflichtet, ein Cornerstone-Investor im Rahmen des Angebots zu sein (zusammen die „**Cornerstone-Investoren**“) und jeder von ihnen hat mit der Gesellschaft, der Veräußernden Aktionärin und der Volkswagen AG einen Cornerstone-Investor-Vertrag abgeschlossen. QIA hat sich verpflichtet, 22.729.450 Vorzugsaktien (entsprechend 4,99 % der Vorzugsaktien der Gesellschaft) zum Angebotspreis zu erwerben, vorbehaltlich bestimmter üblicher Bedingungen. NBIM, T. Rowe Price und ADQ haben sich verpflichtet, Vorzugsaktien im Rahmen des Angebots bis zum maximalen Gesamtkaufpreis von EUR 750 Mio. im Fall von NBIM, EUR 750 Mio. im Fall von T. Rowe Price und EUR 300 Mio. im Fall von ADQ zum Angebotspreis zu erwerben, vorbehaltlich bestimmter üblicher Bedingungen.

4.1.7 Stabilisierungsmaßnahmen, Mehrzuteilung und Greenshoe-Option

Zur Abdeckung potenzieller Mehrzuteilungen hat sich die Veräußernde Aktionärin bereit erklärt, bis zu 14.853.260 Mehrzuteilungsaktien in Form eines Wertpapierdarlehens kostenlos zur Verfügung zu stellen. Im Zusammenhang mit der Platzierung der Angebotsaktien handelt BofA Securities im eigenen Namen und für Rechnung der Konsortialbanken als Stabilisierungsmanager (der “**Stabilisierungsmanager**”) und kann entsprechend den gesetzlichen Vorschriften Stabilisierungsmaßnahmen ergreifen, um den Kurs der Vorzugsaktien zu stützen. Der Stabilisierungsmanager ist nicht verpflichtet, Stabilisierungsmaßnahmen zu ergreifen. Im Rahmen der möglichen Stabilisierungsmaßnahmen können Anlegern bei der Zuteilung der Angebotsaktien zusätzlich zu den Basisaktien Mehrzuteilungsaktien zugeteilt werden. Die Gesamtzahl der Mehrzuteilungsaktien wird 15% der endgültigen Anzahl der bei Anlegern platzierten Basisaktien nicht überschreiten. Darüber hinaus gewährt die Veräußernde Aktionärin den Konsortialbanken die Option, Vorzugsaktien in einer der Anzahl der Mehrzuteilungsaktien entsprechenden Anzahl zum Angebotspreis abzüglich vereinbarter Provisionen zu erwerben (die “**Greenshoe-Option**”). Der Stabilisierungsmanager ist berechtigt, die Greenshoe-Option im eigenen Namen und für Rechnung der Konsortialbanken auszuüben, soweit Mehrzuteilungen erfolgen. Die Anzahl der Vorzugsaktien, die im Rahmen der Greenshoe-Option erworben werden können, vermindert sich um die Anzahl der Vorzugsaktien, die der Stabilisierungsmanager zum Zeitpunkt der Ausübung der Greenshoe-Option hält und die der Stabilisierungsmanager im

Rahmen von Stabilisierungsmaßnahmen erworben hat. Die Greenshoe-Option erlischt spätestens 30 Kalendertage nach Aufnahme des Handels der Vorzugsaktien.

4.1.8 Plan für den Vertrieb

Die Zuteilung von Angebotsaktien an Privatanleger und institutionelle Investoren wird von der Volkswagen AG, der Veräußernden Aktionärin und der Gesellschaft nach Abstimmung mit den Joint Global Coordinators festgelegt.

4.1.9 Verwässerung

Der Nettovermögenswert der Gesellschaft (Summe Vermögenswerte abzüglich kurzfristiger Verbindlichkeiten und langfristiger Verbindlichkeiten, wie im Ungeprüften Verkürzten Konzern-Zwischenabschluss ausgewiesen) (der "**Nettovermögenswert**") belief sich zum 30. Juni 2022 auf EUR 15.043 Mio. bzw. EUR 16,51 pro Aktie der Gesellschaft basierend auf 911.000.000 unmittelbar vor dem Angebot ausstehenden Aktien der Gesellschaft. Daher ist der Nettovermögenswert pro Aktie um EUR 62,99 (unmittelbare Verwässerung der neuen Aktionäre) geringer als der Angebotspreis in Höhe von EUR 79,50 pro Aktie (basierend auf der Mitte der Preisspanne) oder der Nettovermögenswert pro Aktie liegt um 79,2% unter dem Angebotspreis in Höhe von EUR 79,50 pro Aktie (basierend auf der Mitte der Preisspanne).

4.1.10 Gesamtkosten

Unter der Annahme eines Angebotspreises in der Mitte der Preisspanne, einer Platzierung der maximalen Anzahl an Basisaktien und einer Platzierung der maximalen Anzahl an Mehrzuteilungsaktien (vollumfängliche Ausübung der Greenshoe-Option) sowie unter der Annahme der vollständigen Zahlung sowohl der Basisvergütung als auch der Ermessensvergütung betragen die Kosten und Auslagen der Gesellschaft und der Veräußernden Aktionärin und/oder Volkswagen AG im Zusammenhang mit dem Angebot und der Zulassung zum Handel voraussichtlich ca. EUR 157 Mio. welche von der Volkswagen AG getragen werden (wobei ein Betrag von bis zu ca. EUR 2 Mio. von der Gesellschaft getragen wird).

4.1.11 Kosten, die den Anlegern in Rechnung gestellt werden

Die Kosten, die der Gesellschaft oder den Banken entstehen, werden den Anlegern nicht in Rechnung gestellt, jedoch werden die Anleger die von ihrer Depotbank für den Kauf und das Halten von Wertpapieren erhobenen Gebühren selbst tragen müssen.

4.2 Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

4.2.1 Anbieter

Anbieter sind die Banken.

4.2.2 Zulassung zum Handel

Die Gesellschaft wird die Zulassung zum Handel gemeinsam mit Citigroup beantragen.

4.3 Weshalb wird dieser Prospekt erstellt?

4.3.1 Gründe für das Angebot und die Zulassung zum Handel

Die Gesellschaft beabsichtigt, einen Antrag auf Zulassung ihrer Vorzugsaktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse sowie gleichzeitig im Teilsegment des regulierten Marktes der Frankfurter Wertpapierbörse mit weiteren Zulassungsfolgepflichten (Prime Standard) zu stellen, um (i) dem Unternehmen Zugang zu den Kapitalmärkten zu ermöglichen und (ii) den dem Unternehmen intrinsischen Wert hervorzuheben.

Volkswagen AG und die Veräußernde Aktionärin beabsichtigen, das Angebot zu nutzen, um den Nettoerlös aus dem Verkauf der Basisaktien und der Mehrzuteilungsaktien, wenn und soweit die Greenshoe-Option in Bezug auf die Mehrzuteilungsaktien ausgeübt wird, zu erhalten und um der Gesellschaft einen effizienteren Zugang zu den Kapitalmärkten zu ermöglichen.

4.3.2 Zweckbestimmung und geschätzter Nettobetrag der Erlöse

Die Gesellschaft wird keine Erlöse aus dem Verkauf der Angebotsaktien erhalten. Unter der Annahme der Platzierung der maximalen Anzahl von Basisaktien und der Platzierung der maximalen Anzahl von Mehrzuteilungsaktien und der vollständigen Ausübung der Greenshoe-Option schätzt die Gesellschaft, dass sich der Nettoerlös der Volkswagen AG aus dem Verkauf der Angebotsaktien auf ungefähr EUR 8.896 Mio. belaufen würde (unter der Annahme, dass alle Angebotsaktien in der Mitte der Preisspanne platziert werden).

4.3.3 Übernahmevertrag

Am 19. September 2022 haben die Gesellschaft, die Veräußernde Aktionärin, die Volkswagen AG und die Banken einen Übernahmevertrag über das Angebot und den Verkauf der Angebotsaktien im Zusammenhang mit dem Angebot abgeschlossen (der "**Übernahmevertrag**"). Der Übernahmevertrag sieht keine feste Übernahmeverpflichtung der Konsortialbanken oder der weiteren Banken vor, da deren Verpflichtungen erst mit der Erfüllung bestimmter Bedingungen, wie beispielsweise des Eingangs üblicher Bestätigungen und Rechtsgutachten zur Zufriedenheit der Banken, und dem Abschluss einer gesonderten Preisfestsetzungsvereinbarung, entstehen.

4.3.4 Wesentliche Interessenkonflikte in Bezug auf das Angebot

In Bezug auf das Angebot und die Zulassung zum Handel bestehen keine wesentlichen Interessenkonflikte.

1 RISK FACTORS

*In considering whether to invest in the non-voting preferred bearer shares with no par value (auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag) (the "**Preferred Shares**") of Dr. Ing. h.c. F. Porsche Aktiengesellschaft (hereinafter the "**Company**" or "**Porsche AG**"), investors should carefully consider the following risks in this prospectus (the "**Prospectus**"). In the Prospectus, references to the terms "**Porsche**" or "**Group**" are references to the Company and its consolidated subsidiaries collectively. References to "**Automotive**" pertain to the Group's automotive segment. References to "**Financial Services**" pertain to the Group's financial services segment. According to Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended (the "**Prospectus Regulation**") (as supplemented by Commission delegated Regulation (EU) 2019/980 and Commission delegated Regulation (EU) 2019/979), the risk factors featured in a prospectus must be limited to risks which are specific to the issuer and/or to the securities and which are material for investors in making an informed investment decision. Therefore, the following risks are only those material risks that are specific to the Company and the Preferred Shares.*

The following risk factors are organized into categories. In each category the most material risk factors, in the assessment undertaken by the Company, taking into account the expected magnitude of their negative impact on the Company and the probability of their occurrence, are set out first, with the two most material risk factors mentioned at the beginning of each category. The risks mentioned may materialize individually or cumulatively.

1.1 Risks Related to the Group's Business and Industry

1.1.1 Demand for the Group's products and services depends on overall global economic and political conditions, particularly those in the Group's key markets of China, Europe and North America

The Group's handovers of vehicles to end-customers ("**Deliveries**") and sales revenue depend significantly on economic and political conditions globally and in its key markets, including, in particular, the People's Republic of China (including Mainland China and, for purposes of this definition, Hong Kong, "**China**"), Europe and North America, which accounted for 32%, 29%, and 26%, respectively, of the Group's 301,915 worldwide Deliveries in 2021. China is the single largest market for the Group by Deliveries, with 95,671 Deliveries there in 2021, while North America was the Group's fastest growing region by Deliveries in 2021, with Deliveries in the United States of America (the "**United States**" or "**U.S.**") increasing by 22% from 57,294 Deliveries in 2020 to 70,025 Deliveries in 2021. China, Europe and North America constituted 31%, 32% and 26%, respectively, of the Group's sales revenue in 2021.

Demand for vehicles for personal use, such as those of the Group, generally depends on consumers' net purchasing power, their confidence in future economic developments and changes in economic trends. The economic environment and macroeconomic conditions influence levels of disposable income and consumer spending, thereby impacting demand for luxury vehicles. A weak or uncertain macroeconomic environment, high or increasing inflation (including in relation to energy prices) and interest rates, stagnant or declining wages and restrictive lending policies may reduce consumers' net purchasing power and lead existing and potential customers to refrain from purchasing a new vehicle, to defer a purchase further or to purchase a more affordable model with fewer optional features at a lower price. Further, a weak or uncertain economic environment, especially when combined with low consumer confidence, may disproportionately reduce demand for luxury vehicles, including those of the Group, due to the discretionary nature of such purchases. A decrease in potential customers' disposable income or their financial flexibility, an increase in the overall cost of financing or consumer concerns about the social perception of purchasing luxury products will therefore generally have a negative impact on demand for the Group's vehicles.

Economic conditions can be impacted by a number of factors, including volatility in global financial markets, macroeconomic policy, trade policy and conflicts, business and consumer sentiment, monetary policy (*i.e.*, interest rates), inflation, commodity prices, public and private debt levels and government policies targeting public spending such as fiscal austerity policies, as well as geopolitical developments, domestic political tension, military conflicts, pandemics, natural disasters and other unforeseen events. Any such current and future developments in or that impact the Group's markets, in particular its key markets of China, Europe and North America, may materially affect consumer demand for the Group's products.

Recent developments which have had a significant impact on macroeconomic conditions around the world include the SARS-CoV-2 coronavirus ("**Covid-19**") pandemic and the military conflict in Ukraine (the "**Russia-Ukraine Conflict**"). The Covid-19 pandemic has had an adverse effect on each of the Group's markets. Government measures to contain the Covid-19 pandemic resulted in a significant decline in business activity around the world and steep drops in economic activity in the Group's key markets. See also "*1.1.7 The Covid-19 pandemic has negatively affected the Group and remains a risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects*". The Russia-Ukraine Conflict and the sanctions and export-control measures instituted by the European Union (the "**EU**"), the United Kingdom (the "**UK**"), the United States, Canada and Japan, among others, against Russian and Belarusian persons and entities in response have contributed and will likely continue to contribute to increased inflationary pressures (including increased prices for oil and natural gas), gas supply shortages, supply chain disruptions, market volatility and economic uncertainty, particularly in Europe. See "*1.1.2 The Russia-Ukraine Conflict and the sanctions imposed by numerous countries and multinational entities in response, as well as countermeasures by Russia, have had, and may continue to have, adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies and the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations*".

In June of 2022, the World Bank warned that the Russia-Ukraine Conflict had magnified the slowdown in the global economy triggered by the Covid-19 pandemic and predicted that the global economy was entering what could become a protracted period of low growth and elevated inflation in which, for many countries, economic recession will likely be difficult to avoid.

In particular, global gross domestic product ("**GDP**") growth is expected to slump from 5.7% in 2021 to 2.9% in 2022, significantly lower than the 4.1% that the World Bank predicted in January of 2022 (source: World Bank, "Global Economic Prospects June 2022"). Global growth is expected to remain at a similar level over 2023 and 2024 as the Russia-Ukraine Conflict disrupts economic activity, investment and trade in the near term, pent-up demand built up during the Covid-19 pandemic fades and accommodative fiscal and monetary policies are withdrawn or tempered by central banks and governments. GDP growth rates in the Group's key markets are also expected to decrease compared to 2021, with the United States declining from 5.7% in 2021 to 2.5% in 2022, 2.4% in 2023 and 2.0% in 2024, the Eurozone declining from 5.4% in 2021 to 2.5% in 2022 and further to 1.9% in 2023 and 2024 and China declining from 8.1% in 2021 to 4.3% in 2022 before recovering to 5.2% in 2023 and 5.1% in 2024 (source: World Bank, "Global Economic Prospects June 2022").

Meanwhile, inflation rates have recently increased significantly in Europe and the United States. The inflation rate in the Eurozone was 9.1% in August of 2022 (source: Eurostat, European Commission, "Flash estimate—August 2022"), compared to 3.0% in August of 2021 (source: Eurostat, European Commission, "Flash estimate—August 2021") and -0.3% in August of 2020 (source: Eurostat, European Commission, "Flash estimate—August 2020"). Inflation in the Eurozone is expected to be approximately 7.6% in 2022 (source: European Commission, "European Economic Forecast—Summer 2022"). Inflation has recently been high in the United States as well, hitting 8.3% in August of 2022 (source: U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2022"), compared to 5.3% in August of 2021 (source: U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2021") and 1.3% in August of 2020 (source: U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2020"), with inflation in 2022 expected to remain elevated compared to prior years (source: U.S. Federal Reserve, "Summary of Economic Projections June"). Further increases in inflation rates and actions taken by central banks and other state actors to combat rising inflation rates, such as recent increases in base interest rates by the United States Federal Reserve (the "**U.S. Federal Reserve**") and the European Central Bank (the "**ECB**"), could undermine further economic growth, and contribute to regional or global economic recessions, cause declines in consumer spending and confidence and increase borrowing costs, among other effects, each of which could materially adversely impact the Group's business and financial results.

Deteriorating economic and political conditions may also adversely affect the financial health and performance of the Group's dealers, whom the Group depends upon for sales to its end-customers, and thereby could affect sales of the Group's products or the ability of such dealers to meet their commitments to the Group. See also "*1.2.9 The Group is exposed to risks associated with its dealers, distributors and importers, particularly risks arising out of their independent nature, as well as disruptions to the Group's distribution channels*". In addition, poor economic and political conditions can also have an adverse impact on the Group's suppliers, causing them to experience financial distress or insolvency or other problems, which could have a range of negative effects on the Group. See "*1.1.4 The Group is dependent on the performance of third-party suppliers, many of which are struggling to meet demand due to supply chain disruptions. In particular, the Group has been and continues to be impacted by the global semiconductor shortage*".

Any economic downturn or recession, lower than expected growth, sustained rates of inflation or an otherwise uncertain economic outlook, either globally or in the markets in which the Group operates, or any perception thereof by the Group's customers, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.2 The Russia-Ukraine Conflict and the sanctions imposed by numerous countries and multinational entities in response, as well as countermeasures by Russia, have had, and may continue to have, adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies and the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations

The Russia-Ukraine Conflict has prompted the European Union and numerous countries to impose sanctions on a wide range of Russian and Belarusian state and corporate entities and individuals, including extensive trade embargoes, travel bans, asset freezes and the exclusion of certain Russian and Belarusian banks from the global financial system, among other measures. In response, Russia has sanctioned persons and entities within so-called "non-friendly" countries and terminated gas supply contracts to several countries and entities in Europe. The unpredictable nature of the conflict means that further sanctions, against Russia and Belarus or Russian and Belarusian entities, and further retaliatory actions by Russia and Belarus against the imposing countries, including the possible expropriation of assets owned by nationals of, or companies based in, such sanctioning countries, including the Group, may be forthcoming.

The Group has discontinued the export of vehicles and, to the extent required by EU sanctions, spare parts to Russia and Belarus. Although the Group continues to operate three subsidiaries in Russia (which, respectively, serve as importer, own retail and financial services entities), it is currently evaluating options regarding its market presence in Russia. This includes a possible sale of those subsidiaries to an independent third party investor. Any such sale would be subject to various conditions and approvals, and there is no assurance that it will take place. As long as the Group continues its operations in Russia and Belarus, there is an increased risk that the Group could be affected by further sanctions measures.

Although the Group's sales and operations in those countries did not contribute a material amount of sales revenue to the Group even prior to the Russia-Ukraine Conflict, the Group's business, financial condition and results of operations have been and could continue to be materially adversely affected by the events described above in a number of ways. The Russia-Ukraine Conflict and the related sanctions have created significant global economic uncertainty and have threatened to exacerbate pre-existing global economic challenges such as those arising from the ongoing Covid-19 pandemic and its consequences, increasing inflation in food, commodity and energy prices and slowing economic growth. Capital markets and exchange rate volatility has increased significantly and the risk of a global economic recession, or recessions in key economies like the United States and Europe, has increased. Such developments may lead to a decline in the willingness or ability of potential customers to purchase the Group's vehicles, among other consequences.

The conflict and the related sanctions have also caused and may continue to cause volatility in oil and natural gas prices and could potentially lead to shortages of these resources. The Federal Republic of Germany ("**Germany**") and other European countries rely to a significant extent on oil and natural gas sourced from Russia and plans to reduce this exposure will require an extended period of time to take effect. Russia has cut exports of natural gas to various European countries and has progressively reduced, or for short periods of time, paused entirely, deliveries of natural gas to other European countries, including Germany, and could potentially entirely cut off the supply of natural gas to Germany or cut off the supply of natural gas to other European countries, such as Slovakia, where certain vehicles of the Group are produced. On May 30, 2022, EU leaders reached an agreement to ban most Russian oil imports (including oil and petroleum products, but with a temporary exemption for oil delivered from Russia by pipeline). These developments have caused and may continue to cause significant increases in energy prices and potential energy shortages throughout Europe as well as adversely impacting European economies and manufacturers such as the Group and its Europe-based suppliers which rely on affordable energy to carry on their operations. For more detail on the potential impacts these risks could have on the Group and its suppliers, see "*1.1.3 The Group is dependent on a reliable and affordable supply of energy, as are many of the Group's suppliers. In particular, any shortage of, government restrictions on or an outright stoppage of natural gas supplies to the German or greater European markets would represent a material risk to the Group's business, assets, results of operations, financial condition and prospects*".

Other consequences of the conflict and related sanctions which have adversely impacted, and will likely continue to adversely impact, automotive manufacturers including the Group, as well as the suppliers they rely on, include increased bottlenecks in global supply chains, shortages of raw materials, parts and components which are sourced from Ukraine (such as wire harnesses and steel products) and Russia (such as aluminum, copper and steel products), or which are typically transported through these locations, as well as price volatility for raw materials more generally. Although the Group has implemented strategies to manage the impact of these shortages, such measures can be costly and may not always succeed. Relatedly, the Russia-Ukraine Conflict has also led to delays and increases in costs associated with Deliveries as the Group has shifted to shipping vehicles to its largest market, China, via sea freight only rather than the previously used split of rail and sea freight, as the rail lines previously utilized by the Group pass through potentially conflicted territory.

The Group's discontinuation of vehicle exports to Russia and Belarus has further exposed it to risks arising from claims for damages by affected customers, including in connection with a breach of contract for the failure to deliver vehicles ordered by such customers prior to the imposition of sanctions, as well as warranties, recalls, quality issues and general obligations for spare parts deliveries and aftersales services (such as the roll-out of vehicle software patches for safety issues), a failure of which to resolve could lead to the Group being required to buy back the relevant vehicles or pay significant penalties. Such buyback obligations, if triggered, could result in significant costs for the Group. The Group may also face claims for damages by suppliers and dealers, including in connection with the halting of existing or planned investments with such suppliers and dealers, lost profits and a failure to meet vehicle delivery quotas. Although the Group has yet to experience legal claims from customers, suppliers and dealers in Russia and Belarus, there is no assurance that such claims will not be made, in particular if the conflict and related sanctions continue for a prolonged period.

If any of the foregoing risks were to materialize, the Group's business, financial condition and results of operations could be materially and adversely affected. Such risks may also have the effect of heightening many of the other risks described in this section, such as those relating to supply chain problems, inflation and volatility in prices of goods and materials, cybersecurity, capital markets volatility and the Group's ability to access additional capital, any of which could materially and adversely affect its business, financial condition and results of operations.

1.1.3 The Group is dependent on a reliable and affordable supply of energy, as are many of the Group's suppliers. In particular, any shortage of, government restrictions on or an outright stoppage of natural gas supplies to the German or greater European markets would represent a material risk to the Group's business, assets, results of operations, financial condition and prospects

Like most manufacturers, the Group and its suppliers require access to reliable sources of affordable energy to carry out their commercial activities. In particular, the Group and many of its suppliers along the value chain rely on natural gas and renewable alternatives, such as biomethane, for essential manufacturing activities for which there is either no commercially viable alternative or no alternative at all. Although the Group itself contracts with third parties to procure biomethane, rather than natural gas, the fungible nature of biomethane with natural gas and the structure of public gas transport and distribution networks mean that the Group would nonetheless be directly impacted by gas shortages in the German and wider European gas system.

The Russia-Ukraine Conflict and the related sanctions have resulted and may further result in direct, severe adverse impacts on energy-intensive sectors in general and in particular on large consumers of gas, including natural gas and biomethane (*e.g.*, energy-intensive industry such as steel and aluminum metallurgy and automotive and chemical manufacturers which produce components, or essential inputs for such components, for the Group's products). Germany and Slovakia, where most of the Group's vehicles are produced, as well as other European countries, rely heavily on oil and natural gas sourced from Russia and government and private sector plans to reduce this exposure will require an extended period of time to take effect. Depending on developments in the Russia-Ukraine Conflict, these risks may become particularly acute with the onset of colder weather in the coming months in 2022/2023 and again in 2023/2024, particularly in the case of an especially cold winter, to the extent that European countries, including Germany and Slovakia, are unable to refill gas storage facilities as currently planned. To date, Russia, through its state-controlled energy group Gazprom, has cut the delivery of natural gas to various European countries and has progressively reduced, or for periods of time, paused entirely, deliveries of natural gas to other European countries, including Germany, and could potentially entirely cut off the supply of natural gas to Germany or cut off the supply of natural gas to other European countries, such as Slovakia, where certain vehicles of the Group are produced. In September of 2022, Russia announced that a previously temporary shutdown of deliveries of natural gas via the Nord Stream 1 pipeline, which in the past had covered a substantial amount of Germany's total gas requirements, would be extended until Western sanctions on Russia resulting from the Russia-Ukraine Conflict were lifted. Germany's federal, state and local governments have already been compelled to take steps in response to these events in order to reduce energy consumption in the public and private sector. The German government has also been compelled to provide emergency financing to a number of major energy companies to avoid their collapse and has introduced further measures to support certain other energy-intensive companies.

If the EU imposes an embargo on, or significantly reduces imports of, Russian natural gas before securing alternative sources, or if Russia unilaterally ceases or further limits the supply of natural gas to further European countries, including Germany, this will likely cause further increases in gas prices as well as electricity prices (each of which have already reached record highs in Europe in the past months and are expected to remain volatile), given that a significant amount of electricity in Germany and throughout Europe is generated by gas. Other consequences could include further supply chain problems, energy shortages and production stoppages among many manufacturers in affected areas, including the Group and many of its suppliers which rely on substantial amounts of gas and electricity to carry on their commercial operations. In the long-term such developments may lead to rising unemployment and economic recessions in the affected countries, which could also lead to declines in sales of the Group's products. See also "*1.1.2 The Russia-Ukraine Conflict and the sanctions imposed by numerous countries and multinational entities in response, as well as countermeasures by Russia, have had, and may continue to have, adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies and the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations*".

In response to the economic risks posed by the events described above, on March 30, 2022, the German Federal Ministry for Economic Affairs and Climate Action (the "**BMWK**") declared that Germany had entered the so-called 'early warning stage' of the country's "**Gas Emergency Plan**", which regulates the natural gas supply in Germany in a crisis situation in line with the European Union Regulation on measures to safeguard security of gas supply (EU) 2017/1938. On June 23, 2022, the BMWK declared that Germany had reached the next level of the Gas Emergency Plan in Germany, the so-called 'alert level', indicating a situation where a disruption of gas supply or exceptionally high gas demand results in significant deterioration of the gas supply situation, but where the market is in principle still able to manage that disruption or demand, including by raising prices.

Recent amendments to the relevant German laws have, *inter alia*, introduced possibilities for designated authorities to introduce preventive measures on the energy markets prior to the enactment of the alert level. This includes the right of the German federal government (or the BMWK) to issue ordinances pursuant to German law regarding the reduction of the consumption of crude oil and petroleum products, other solid, liquid and gaseous energy sources, electrical energy and other energies in order to avoid an immediate threat to or a disruption of energy supply.

In the event that, in addition to the alert level, a significant reduction in the total gas import volumes to Germany was to be declared, the Group's gas suppliers may be able to rely on statutory rights under German law to temporarily adjust the Group's gas prices irrespective of ongoing contractual agreements. The highest level of the Gas Emergency Plan, the so-called 'emergency level', would indicate a significant disruption to the natural gas supply that cannot be remedied even though all market-based measures have been taken. At that point, designated regulatory bodies in Germany would be able to implement non-market-based measures to ensure gas supply to specified customers, known as protected customers, *i.e.*, private households, essential social services and certain district heating systems delivering heat to them. Relatedly, the Group also approached the German Federal Network Agency (*Bundesnetzagentur*) to be entitled to priority in the allocation of natural gas supplies in an emergency level situation, but was denied such status. It is unclear which, if any, of the Group's German suppliers may be entitled to priority in the allocation of natural gas supplies in an emergency level situation.

In September of 2022, the president of the German Federal Network Agency (*Bundesnetzagentur*) stated that, with the onset of colder weather in the coming months in 2022/2023 and again in 2023/2024, rolling episodes of scarcity in gas supplies may arise at various times and in different regions of Germany depending on a number of factors, including weather, consumer behavior and energy supply conditions in neighboring countries. It was emphasized that any of these factors could lead to rationing of gas supplies in favor of private consumers. As a consequence, for instance in the event of an emergency level in Germany, the Group and some or all of its German suppliers would likely experience severe curtailment or stoppage of gas supplies normally distributed through the public gas network to their facilities. Similar measures in other European countries could have a negative impact on the Group's facilities and suppliers in those countries which are similarly reliant on gas. Various legislative and regulatory initiatives within Germany and at the European Union level, including further treatment of particular industries in the event of gas rationing, are currently in process with outcomes that the Group cannot ascertain at this time.

In the event of gas supply stoppages, shortages or government measures rationing gas supplies to certain customers in Germany, and potentially other European countries, as a result of the actions or measures described above, industrial gas consumers such as the Group and many of its Europe-based suppliers who rely on gas to carry on their manufacturing activities will likely be unable to meet their energy needs. This could lead to production stoppages, factory shutdowns, a decline in output, delayed product development and decreased sales and sales revenue of the Group or such suppliers. Even if affected suppliers are able to continue operating, they may be unable to deliver critical parts or components, which could adversely impact the Group's ability to complete its vehicles, or may attempt to pass on the increased costs of production resulting from higher gas prices (which sellers of gas in some cases have a legal right to demand during an alert or emergency state level situation) to their customers, including the Group, increasing the Group's costs of production. In the event of a prolonged lack of adequate gas supplies, the Group and such suppliers could experience financial distress.

Should a gas supply shortage or disruption continue long enough to also impact the security of supply on the electricity markets in Germany and Europe more generally, the Group and its suppliers could also be subject to electricity shortages, which could adversely impact the Group's ability to continue its operations. Although the Group itself contracts with third parties to procure green electricity, as is the case with gas supplies, the fungible nature of electricity and structure of public electrical grids mean that the Group would nonetheless be directly affected by electricity shortages in the German and wider European electricity networks.

In addition, disruptions in gas and electricity supply could also impact the Group's ability to achieve its sustainability ambitions. The Group is currently in the process of a pivotal transition from internal combustion engine vehicle models ("**ICEs**") to battery-electric vehicle models ("**BEVs**"). Any disruption in the supply of gas or energy generally to the Group's facilities or those of its suppliers and partners could endanger the development of models slated for release in the coming years, severely impacting the operations and prospects of the Group. Moreover, a disruption or stoppage in natural gas supply could force the Group to use alternative forms of energy where possible, which could result in higher emissions or result in significant additional costs. Such disruptions in gas and electricity supply could also restrict the ability of the Group and/or its suppliers to procure gas and/or electricity in line with the requirements of the Group's and third parties' certification standards for renewable energy, which could also lead to negative effects on the Group's sustainability ambitions, including the ability of the Group to continue operating its sites in Zuffenhausen, a district of Stuttgart ("**Stuttgart-Zuffenhausen**"), Weissach and Leipzig in a net carbon neutral manner.

Due to the existing uncertainties with regard to the occurrence, volume and duration of possible gas shortages, stoppages, rationing or other disruptions, as well as uncertainties about how or to what extent legislatures, regulators or other government representatives will react to such developments, it is currently not possible to make reliable statements with regard to the probability or nature of such disruptions or government actions or their exact impact on the Group. Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.4 The Group is dependent on the performance of third-party suppliers, many of which are struggling to meet demand due to supply chain disruptions. In particular, the Group has been and continues to be impacted by the global semiconductor shortage

The Group relies on third-party suppliers for the timely delivery of high-performing, high-quality parts and components (*i.e.,* pre-assembled parts of a Porsche vehicle which are prepared by a third-party supplier) for the manufacture of its vehicles. While the Group sources certain of these parts and components from several suppliers, the premium nature of the Group's vehicles and the start-up costs associated with engaging a new supplier for any given part or component, *e.g.*, costs associated with research and development, testing, tooling and planning, often necessitate that it primarily works with a single supplier to reduce production costs and to ensure the quality and performance of a specific part or component. As a result, for nearly all of the Group's parts and components, the Group relies on one specific supplier (also termed "single sourcing") for each individual part or component. This also applies to battery cells for the Group's plug-in hybrid electric vehicle models ("**PHEVs**") and BEVs (together with PHEVs, "**Electrified Vehicles**"), as the Group predominantly sources them at present from one supplier for each relevant model line as a result of the relative scarcity of industrial scale high-performance battery cell manufacturers, with plans to expand sourcing for future models.

Should one or more such suppliers be unable or unwilling to fulfill delivery obligations, such as due to supply shortages of necessary raw materials or parts, elevated energy prices or energy shortages, external conflicts, labor strikes, capacity allocation to other customers or financial distress of the supplier, the Group faces a risk of production downtime, inventory backlogs and delays in Deliveries to customers. Supply shortages could negatively impact the Group's ability to roll-out Electrified Vehicles in a timely manner if the Group cannot source suitable alternative parts and components, in particular in relation to batteries. Delays in the roll-out of Electrified Vehicles could negatively impact the Group's ambition for over 50% of new vehicles delivered to be

Electrified Vehicles in 2025 and over 80% of new vehicles delivered to be BEVs in 2030. The occurrence of any of these events could in turn adversely affect the Group's sales revenue, brand and reputation.

The Group, like the automotive industry as a whole, has been and continues to be affected by the ongoing supply chain disruptions currently plaguing global markets. The global semiconductor shortage has had an especially pronounced impact on automotive manufacturers like the Group as demand for microchips and other electrical components reliant on semiconductors has increased. Factory shutdowns at major global semiconductor production sites due to the Covid-19 pandemic, followed by surges in demand as economies began to recover in 2021, as well as longer-term trends such as an increase in competition between the automotive sector and other rapidly growing industries for semiconductor manufacturing capacity and structural issues within the semiconductor supplier landscape, have further exacerbated the shortage and complicated the Group's ability to secure sufficient supply. The semiconductor situation impacts the Group both in terms of the availability and pricing of parts and components which come pre-assembled with semiconductors and which the Group purchases from third-party suppliers, as well as semiconductors the Group sources in certain cases directly on behalf of its suppliers.

Semiconductors are of vital importance for the completion of the Group's vehicles, in particular for the increasingly prevalent digital connectivity, safe driving and intelligent or automated features included in them, as well as for the production of the Group's Electrified Vehicles, which require more semiconductors on average than traditional ICEs due to their charging and other electrical systems. While the Group's total vehicle production increased from 2020 to 2021 despite the shortage, semiconductor supply bottlenecks led the Group to remove certain features which rely more heavily on semiconductors in the configuration of its vehicles and have caused production delays in 2022 and thus continue to be a driver of elevated order backlog. Although the Group has in the past benefitted from preferential semiconductor allocation from Volkswagen Aktiengesellschaft ("**Volkswagen AG**", and together with its consolidated subsidiaries, the "**Volkswagen Group**"), which has reduced the severity of the impact of the global semiconductor shortage on the Group, such preferential allocation may not continue in the future. There is also no assurance that the Volkswagen Group itself will have sufficient semiconductor supplies to allocate to the Group in the future, even if it continued its preferential allocation policies.

Further, in order to achieve the Group's ambition of over 50% of new vehicles delivered being Electrified Vehicles in 2025 and over 80% of new vehicles delivered being BEVs in 2030, the Group will need a significantly increasing number of semiconductors in the near- to mid-term as it systematically expands its range of BEV offerings and further digitizes its vehicles with new digital connectivity, safe driving and intelligent/automated technology. Even if the semiconductor shortage begins to ease, significant uncertainty regarding the broader underlying structural capacity issues will remain, and it could take several years for the global shortage to be completely resolved. In addition, the supply of semiconductors could be impacted by geopolitical events, especially tensions in eastern Asia, as a result of many semiconductor suppliers being located in this region. Further, technological advancements in semiconductors could shift the supply focus of semiconductor producers toward new technologies and types of semiconductors, which could harm the supply capacity of older types of semiconductors which may remain important for the Group's vehicles. Until such time as semiconductor suppliers are able to meet global demand, including the demand of the Group and its suppliers, the Group's business, assets, results of operations, financial condition and prospects will continue to be materially adversely affected.

The Group's supply issues were also recently exacerbated by the Russia-Ukraine Conflict. Among other things, the Group experienced difficulties sourcing wire harnesses, a key component in its production process, and other repair parts from suppliers located in Ukraine, which led to production delays. In particular, wire harness shortages resulting from the Russia-Ukraine Conflict led to the Group temporarily pausing production of Macan, Cayenne, Panamera, Taycan and 718 Boxster and Cayman model family (collectively, the "**718**") models. The Taycan in particular has been adversely affected by the combination of semiconductor and wire harness supply shortages which, together with a fire incident at a relevant key supplier in early 2022, resulted in the Group being unable to timely fulfill all orders for the Taycan. As the Taycan is currently the Group's only BEV model, the Group's share of Deliveries represented by BEVs declined from 14% in 2021 to 13% in the six months ended June 30, 2022 ("**H1 2022**"). Although the Group believes that these supply problems impacting the Taycan will eventually be resolved, the share of Deliveries represented by BEVs is expected to be lower in 2022 than 2021 as a result and delays to the planned Deliveries are expected to lead to a shift of sales revenue planned for the third quarter of 2022 to the fourth quarter of 2022. In addition, there can be no assurance that these problems or similar supply issues will not impair the Group's production of the Taycan in future years.

One of the effects of the supply chain disruptions described above on the Group has been a significant increase in waiting times between a customer ordering a new vehicle and that vehicle being delivered. Increased waiting times for new vehicles could lead to customers refraining from or deferring purchasing a new vehicle from the Group, canceling orders, purchasing a new or used vehicle from a competitor, or purchasing an older model vehicle from the Group.

Should the effects of the above-mentioned events persist, the Group may also be forced to modify when and where new model offerings are launched. The occurrence of any of these outcomes could have a negative impact on the Group's earnings and reputation.

Moreover, the above-mentioned events have resulted and may continue to result in financial strain for many of the Group's suppliers, as a result of which the Group faces heightened supplier risks, including supplier bankruptcies and restructurings. The semiconductor shortage in particular has led to production stops at suppliers, resulting in insufficient utilization and production backlogs across the supply chain. This underutilization has increased the risk that suppliers may be threatened by insolvency or become insolvent, particularly when combined with pre-existing pressure on suppliers as a result of the Covid-19 pandemic and other factors. As a result, the current environment carries an acute risk that the Group may need to increase financial support measures for such suppliers. For example, two of the Group's suppliers of wheels and one supplier of casted chassis parts have recently undergone restructuring or insolvency proceedings.

The risk of supplier financial distress could become more acute if energy prices continue to increase or remain elevated, or if energy supplies are threatened. In order to counteract these developments and support its suppliers, the Group has undertaken and may continue to undertake financial support measures, such as partial payments for development costs and tools ahead of contractually agreed deadlines. More generally, if suppliers cannot cover their fixed costs, there is also the risk that they may demand compensation payments. In addition, capacity expansion at suppliers' plants could also require cost participation on the part of the Group to secure allocations. While the Group has measures in place to proactively address these risks, such measures may not be effective.

Suppliers may also exit certain business lines that the Group relies on or may for other reasons be unable or unwilling to fulfill delivery obligations. In such cases, the Group would need to find alternative materials and components, which may be costlier or less appropriate than the original ones, take longer than the notice period provided by the supplier, and/or require costly adjustments and a redesign or re-engineering of the Group's products. In addition to the risk of supply interruptions, which are exacerbated in the case of single-source suppliers, the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality, warranty claims or other terms relating to the component.

Other causes of supply disruptions include periods of sustained drought, natural disasters and fires and other industrial accidents. For example, the severe flooding events in parts of Germany in the summer of 2021 caused a supplier of components for the Group to lose the entirety of its production capacity, leading to production delays for hundreds of the Group's vehicles which needed such components.

Furthermore, the Group engages third parties for the supply of various services, including, among others, construction services (such as groundworks and buildings), marketing services (such as car shows and other events), information technology ("**IT**") services, logistics services (including transport of parts, components and vehicles) and various development and engineering services. These activities are subject to many of the same risks described above for suppliers of parts and components. For example, third-party service providers could face economic distress, become insolvent or increase the price of their services, as a consequence of recent increases in energy prices and energy rationing, infrastructure failures, government regulations, geopolitical events, including military conflicts, changes in currency exchange rates, price controls, the economic climate including inflationary pressure, man-made and natural disasters, and other unforeseen circumstances. As a result, the Group could be forced to bear increased costs for such services or to find alternative service providers, which may not be available or may be available on less beneficial terms. In addition, such third party service providers could provide services which do not meet the Group's requirements or which are not provided in a timely manner, causing the Group to experience business interruptions or delays, quality problems and other issues, as well as the need to find alternative service providers which may not be available or may be available on less beneficial terms.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.5 The Group's business, which depends on the timely availability of high-quality raw materials at reasonable prices and, in many cases, produced in a sustainable manner, is currently facing, and may continue to face, delays, shortages and price volatility as a result of global supply chain disruptions and other factors

The Group, and its suppliers of parts and components, depend on the timely availability of high-quality raw materials at reasonable prices and, increasingly, produced in a sustainable manner. These include aluminum, steel, palladium, rhodium, nickel, copper, lithium, cobalt, magnesium, rare earth metals and noble gases (particularly neon). As the Group expands its Electrified Vehicle production, its exposure to the availability and prices of nickel, lithium and cobalt (each of particular importance for Electrified Vehicle battery production, which the Group currently outsources) will increase significantly. The Group also sources process materials such as natural gas and oil for various applications, including first fill fuels, which help to protect engine components between manufacture and delivery to customers. In most cases, the Group does not act as a direct purchaser of raw materials but rather relies on its suppliers to source such raw materials. Supplier costs often contain pass-through pricing to the Group for raw materials. The cost of raw materials represents a significant portion of the Group's total costs, and problems with their availability or increases in their costs may in some cases pose a significant risk to the Group's business.

The prices of raw materials are susceptible to significant and at times sharp fluctuations, including as a result of global or regional supply and demand dynamics in the commodities markets and end markets, production capacity and constraints on the part of suppliers, suppliers becoming insolvent, transportation costs and issues, energy prices and energy rationing, infrastructure failures, government regulations and tariffs, geopolitical events, including military conflicts, changes in currency exchange rates, price controls, the economic climate including inflationary pressure, man-made and natural disasters, and other unforeseen circumstances. Market prices for certain key raw materials that the Group and its suppliers of parts and components source for, such as aluminum, lithium, cobalt, nickel and steel and steel derivatives, have been volatile in recent years, with many reaching historic levels.

For example, following steady declines in aluminum prices from 2018 through to 2020, prices sharply declined during the early phases of the Covid-19 pandemic in 2020 before increasing significantly until the later stages of 2021. Following another decline at the end of 2021, aluminum prices rose once again in the first quarter of 2022, reaching price levels not seen in decades, as a result of, among other factors, increased global demand as economies began to rebound from the Covid-19 pandemic coupled with decreased supply from major producers such as Russia as a result of the Russia-Ukraine Conflict. However, this price surge in the first quarter of 2022 was followed by a price decline of a similar degree in the second quarter of 2022. Similarly, lithium prices have dramatically increased since the beginning of 2021, peaking in the first quarter of 2022 at levels not seen in more than five years, as a result of, among other factors, rapidly increasing demand for use in Electrified Vehicle batteries and increased costs associated with extraction. Cobalt, nickel and steel prices have similarly seen significant price volatility, with the price of each raw material spiking dramatically following declines during the early stages of the Covid-19 pandemic in 2020, and steel prices in 2022 particularly being affected by high demand, energy price increases arising from the Russia-Ukraine Conflict and speculative market movements.

While the Group has some ability to allocate the risk of higher costs of commodities and other materials and inputs between itself and its suppliers, for instance through escalation clauses that have retroactive effect as opposed to spot pricing, or to pass on higher costs to consumers in the form of higher prices for manufactured vehicles, the extent of this is limited because of the Group's limited influence on certain key suppliers (who may serve a range of customers beyond automotive original equipment manufacturers ("**OEMs**") such as the Group), the potential for certain suppliers to demand financial support from the Group or become insolvent due to economic pressure, as well as the strong competitive pressure in the vehicle segments in which the Group is active. Although the Group, through the Volkswagen Group, hedges a portion of its exposure to fluctuations in the prices of rhodium and palladium, and the Group is in the process of developing an expanded hedging strategy for certain other key raw materials, there is no assurance that such hedging will be successful in mitigating such exposure. Such price increases may therefore have a negative impact on the profit margins the Group earns on the vehicles it sells.

In addition to risks related to raw material costs, the Group is subject to the risk of supply shortages for key raw materials, which can arise due to a wide range of factors. Companies around the world are currently suffering from acute shortages of many raw materials for complex reasons, many related to or triggered by the Russia-Ukraine Conflict and the Covid-19 pandemic. These risks also include surges in consumer demand as the global economy recovers from the Covid-19 pandemic, which some producers are struggling to meet due to ongoing supply limitations arising from the Covid-19 pandemic, acute shortages of certain materials and products with origins in Ukraine (such as steel products) and Russia (such as aluminum, copper and steel products), or which are typically transported through these locations, and shortages of energy and labor in some markets, such as China, where energy rationing has led to reductions in the production or extraction of certain aluminum alloying materials, magnesium and noble gases, among other resources. These factors have also led to delays along the entire supply chain, with shortages of shipping containers as well as a lack of port capacity, exacerbated by reduced air freight channels due to the Russia-Ukraine Conflict, resulting in increasing freight costs and further undermining the transport and delivery of goods, including raw materials. The interconnected nature of international supply chains means that a single supply problem in one market can lead to multiple production problems in multiple markets.

The Group is working towards a net carbon neutral value chain in 2030 and this, together with external regulatory requirements, is expected to require the Group and its suppliers of parts and components to procure CO_2-optimized (*i.e.*, with the lowest carbon footprint possible) raw materials (such as CO_2-optimized aluminum and steel) as, for example, the Group is in the process of setting specifications for its suppliers with respect to the amount of CO_2 which can be attributed to a specific raw material. However, the Group, directly or through its suppliers of parts and components, may not always be able to procure such raw materials, especially as demand among other manufacturers with similar requirements intensifies. Prices for CO_2-optimized raw materials have increased in recent years, and both increasing demand and increasingly stringent regulatory requirements may cause further price increases or supply shortages. Should the Group, directly or through its suppliers of parts and components, be unable to source the requisite amounts of CO_2-optimized raw materials, it may be required to offset the sourcing of less optimized raw materials by purchasing carbon emissions credits or investing in other projects for reducing carbon emissions, which could result in increased costs.

Further supply risks arise from other factors, such as decreases in extraction and production due to natural disasters, industrial accidents, political instability or unrest or production limits imposed in extracting and producing countries. Further, China, which is currently the predominant producer of certain rare earth elements, such as neodymium, which are necessary for the manufacture of certain critical components, particularly in Electrified Vehicles, has limited the export of such elements in the past and is increasingly using other mechanisms, such as an export licensing system or the imposition of higher raw material duties, which could limit access to such materials. In addition, quality issues with respect to raw materials, components and parts may necessitate technical measures involving a considerable financial outlay where costs cannot be passed on to the supplier or only to a limited extent.

Finally, rapidly rising demand for certain new technologies, such as electrified powertrains, has required and will continue to require significant changes to the Group's supply chain and could result in higher product costs and supply bottlenecks. An increasing shift to e-mobility and digitization throughout the industry has resulted and is expected to continue to result in long-term increases in the demand for Electrified Vehicle battery cells, semiconductors and certain critical raw materials necessary to manufacture them, such as cobalt, lithium and nickel. Due to the limited pool of suppliers and point of origin issues, price increases and bottlenecks in the supply of these raw materials have occurred and may continue to occur, which could limit the Group's ability to meet demand for its current generation of vehicles (including its Electrified Vehicles) or produce or commercialize its new Electrified Vehicles profitably (or at all). Increased demand for materials for Electrified Vehicles, point of origin issues, price increases and bottlenecks and the resulting stress placed on suppliers could also negatively impact the supply situation for materials more closely associated with ICEs the Group continues to produce, as such suppliers may shift their product focus away from these materials, reducing economies of scale, which could for example increase prices or lead to reduced availability of such materials.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.6 The Group's ability to introduce its next generation of vehicles and electrify its existing product lineup depends in large part on the development of next-generation vehicle hardware and software architecture. The failure of certain software platforms and applications and related hardware architecture to be developed, delivered and rolled-out in a timely manner has led to the Group delaying product launches, and there is a risk of similar occurrences in the future

In order to meet its sales and sustainability goals, the Group will need to introduce its next generation of vehicles and transition from its current portfolio of primarily ICE vehicles to one that is primarily BEVs per a strict timeline that includes a currently ongoing and complex vehicle development process. In particular, the development and launch of the Group's upcoming vehicles are increasingly dependent upon the development, delivery and roll-out of software platforms and applications and related hardware architecture destined for incorporation in such vehicles. Although true for automobile development in general, this dependence is particularly acute in the case of BEVs, which rely to a greater extent on embedded software, much of it newly developed or yet to be developed, to replace many of the complex mechanical systems seen in ICEs. The Group also may rely in certain instances on third parties to service its vehicles and their integrated software, and failures or delays by third parties to do so may affect the Group's ability to adequately address the service requirements of its customers.

The Group is working together with the Volkswagen Group to develop a unified Volkswagen Group technology and software platform through Volkswagen AG's subsidiary CARIAD SE ("**CARIAD**"). The current goal of CARIAD and the Group is to create a next-generation universal software platform and related hardware architecture (the "**E^3 1.2 platform**") for the Group's vehicles (with Audi Aktiengesellschaft ("**Audi**") also collaborating on the project for a related version of the E^3 1.2 platform). The E^3 1.2 platform will be designed to coordinate many of the technological applications in a vehicle (including most of a vehicle's software and software stacks, comprising among others engine and safety features such as driving assistance and intelligent braking, as well as infotainment) in addition to managing certain updates and upgrades of various features. As part of this collaboration, Volkswagen AG, Audi and the Group transferred many of their software managers to CARIAD.

The Group is currently developing, together with CARIAD and Audi, the E^3 1.2 platform for deployment in the all-electric "**Macan BEV**", which the Group plans to begin delivering in 2024. The E^3 1.2 platform is also intended to serve as the basis for a future generation platform (the "**E^3 1.2 Evo platform**") implementing more advanced features, including broader autonomous driving and over-the-air ("**OTA**") technologies, in future product launches. The Group has not previously developed such a platform and related technologies, relying rather on the software developments of its suppliers, and does not currently have the relevant development resources to do so independently. The Group is therefore largely dependent on its collaboration with CARIAD to complete the E^3 1.2 platform. In part due to delays at CARIAD and the Group in developing the E^3 1.2 platform, the Group has already had to delay the start of production ("**SOP**") of the Macan BEV.

In addition to CARIAD, the Group is also collaborating with a range of third-party hardware and software developers and suppliers in connection with other software intended for use in its vehicles, including in relation to driving functionality, infotainment and navigation systems. The Group may have limited ability to overcome development difficulties or delays at third parties. Should there be failures or further delays in finalizing the E^3 1.2 platform or related or other hardware and software solutions, including issues with vehicle roll-out, vehicle type approval by regulators, customer acceptance difficulties or other difficulties in realizing the operational goals of the Group for the system, the Group may have to further delay the SOP and launch of the Macan BEV or other vehicles currently in development or seek alternative development options. However, alternative development options, such as employing additional third-party developers or further building up in-house development capacity, may be restricted by other agreements, could require significant additional investment and may not be successful. Delays or difficulties in the development of the E^3 1.2 platform could also be further exacerbated by the fact that CARIAD is currently developing a separate E^3 2.0 version of its platform in parallel, as CARIAD could potentially allocate greater development capacity and resources to its E^3 2.0 version to the detriment of further development of the E^3 1.2 platform which could force the Group to rely more on its own efforts and expertise or seek support from other third-party developers (with the same potential consequences as those described above).

The Group has a contractual opt-out right with regard to services/products (license bundles or reasonable packages thereof to be mutually agreed upon) relating to the end-to-end electronic architecture E^3 2.0 by giving notice to CARIAD. The opt-out right is limited in time and the decision regarding the opt-out right is expected to be made sometime in 2023. If the Group exercises such opt-out right, it will forego the right to use those E^3 2.0 services/products as to which it has opted out in its future vehicles and may have to develop analogous services/products on its own, for which it may lack the expertise or resources. In addition, if such opt-out has a negative financial impact on Volkswagen AG and/or Audi, the Company would potentially have to bear the costs resulting from the exercise of this right, alongside previously described own costs to develop replacement solutions.

The successful development of the E^3 1.2 platform and the corresponding SOP and launch of the Macan BEV is a prerequisite for the continued development of further vehicle launches in the coming years which are also expected to rely on the E^3 1.2 platform. As the E^3 1.2 platform is still under active development, a risk remains that the Group will not achieve its existing cycle plan for new vehicles on schedule, in particular BEV models of the 718 and the Cayenne. Further delays or difficulties with the E^3 1.2 platform could also prevent the timely launch of models intended to use the E^3 1.2 Evo platform.

More generally, the ongoing transition of the Group's product portfolio from ICEs to BEVs will necessitate significant technological developments regarding vehicle hardware and software. Examples of this include battery management systems, which regulate and collect data on battery cells, as well as predictive maintenance software tailored to a BEV's specific maintenance and repair requirements. This hardware and software must be correctly designed and integrated to work with existing applications, such as vehicle safety systems. While third parties, including at times in collaboration with the Group, are actively working on developing these systems, there can be no assurance that they will do so in alignment with the Group's timing and technological requirements. Technical problems with software and hardware architecture have led and, in the future, could lead to product launch delays and post-launch recalls.

Further, rapidly evolving regulatory requirements could render developmental or even existing software unusable or require significant modification, resulting in delays in delivery schedules or cancellations. In addition, the Group's vehicles may be required to include hardware and software which does not yet exist or cannot be developed within the timeframes imposed by regulatory bodies. This is particularly the case in China, the Group's largest single market, where regulatory requirements can be imposed on manufacturers with relatively short notice periods, as well as in the United States, where the Group must comply with both federal and state regulations which often develop at different paces and with different focuses. However, the evolving nature of these requirements presents a risk in any key regional market where the Group operates.

Any delay in the development, delivery or roll-out of a critical software platform or application or related hardware architecture resulting from the above or other factors could force the Group in turn to delay future vehicle launches, launch vehicles without the full suite of technological features or, should software applications developed by or in cooperation with third-party software companies become indefinitely delayed, seek alternative suppliers or attempt to bring the development in-house at significant cost. In addition to significant financial and reputational impacts, such events could harm the competitiveness of the Group, particularly should competitors be able to launch vehicles in the same target market segments while the Group is facing delays. The Group could also be forced to revise its ambition of over 50% of new vehicles delivered being Electrified Vehicles in 2025 and over 80% of new vehicles delivered being BEVs in 2030, as well as its ambition to have a net carbon neutral value chain in 2030, as the timely launch of Electrified Vehicles and the associated net carbon neutral use-phase of such vehicles is a key factor in achieving these ambitions (see also "*1.1.9 The Group is exposed to risks regarding the development of its Electrified Vehicle offerings and the electric vehicle market in general, which could also impact the ability of the Group to achieve its sustainability ambitions*"). A delay in the roll-out of BEVs per the Group's current plan could also expose it to regulatory penalties related to the CO_2 emissions of its products and force the Group to forgo potential revenue opportunities from the sale of CO_2 credits on the open market to other manufacturers.

Any failure by the Group or the hardware and software developers upon which it relies, including CARIAD, to develop, deliver and roll-out key hardware and software systems in a timely manner or any failure of such developers to perform as expected could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.7 The Covid-19 pandemic has negatively affected the Group and remains a risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects

The Group operates globally and as such is both directly and indirectly exposed to various risks related to public health events, including epidemics, pandemics, and other outbreaks, in particular the global outbreak of the Covid-19 pandemic. The Covid-19 pandemic has led many countries worldwide to adopt measures to contain and combat the spread of Covid-19, including travel bans, quarantines, "stay-at-home" orders, restrictions on business activities and similar requirements for individuals to restrict daily activities, and has negatively impacted global supply chains, including those of relevance to the Group. The scale and duration of the Covid-19 pandemic and the measures undertaken to contain it have severely impacted regional and global economies, including those in several of the Group's key markets.

Global economic growth, primarily driven by an increase in consumer spending, rebounded strongly in 2021, reaching a growth rate of 5.7% by the end of the year compared to a contraction of 3.3% in real terms in 2020 (source: World Bank, "Global Economic Prospects June 2022"). In 2022, however, this economic outlook has deteriorated significantly. In particular, outbreaks driven by highly contagious variants of the disease have in some countries led to a surge in new cases, including among fully vaccinated people, and the re-imposition of containment measures. This has occurred particularly in several areas in China, the Group's single largest market. The ongoing government reimposition of lockdowns in parts of China throughout 2022 has resulted in numerous Porsche dealerships having to close, certain suppliers of non-production related services for Porsche entities in China suspending operations, certain suppliers of the broader Group (*i.e.*, Group entities located outside of China) being unable to export out of China and traffic restrictions at the Shanghai harbor, a major shipping hub into and out of central China, and has contributed to increased levels of economic uncertainty throughout the country. These developments, together with supply chain constraints and logistics challenges, negatively impacted Deliveries in China during H1 2022. The duration and scope of these lockdowns in China are currently unclear and therefore the further impact they may have on the Group is uncertain. Should the further development of the Covid-19 pandemic in other countries result in renewed severe restrictions and containment measures like those seen in China, this could again place an undue burden on households, companies and governments in those countries. This in turn could lead to declines in economic growth, a deterioration in consumer sentiment and the business climate and thus to a decline in consumer demand for the Group's vehicles.

Consequences of the Covid-19 pandemic that have adversely affected, and may continue to adversely affect, the Group include delays or disruptions in the supply chain of automotive parts, components, commodities and other materials, bottlenecks in the Group's distribution channels, lockdowns in certain regions resulting in reduced operation or temporary suspension of production activity at the Group's manufacturing facilities, and disruptions to the Group's internal business processes, key personnel and strategic goals. In particular, the Covid-19 pandemic-related supply chain disruptions have increased the Group's customer order backlog and increased delivery times for the Group's new vehicles, including as a result of reductions in the availability of shipping containers and capacity in sea freight, particularly in shipping lines between the Group's production facilities in Europe and end points in North America and China.

While demand for the Group's products declined only moderately during the height of the Covid-19 pandemic in 2020 and in 2021 increased to surpass pre-pandemic levels, supply chain disruptions and related production delays have undermined, and may continue to undermine, the Group's production and sales. Further, such increased demand in 2021 may reflect pent-up demand due to the Covid-19 pandemic which will subside or level out over time. In addition, the further development of the Covid-19 pandemic and consequently the outlook for the Group's key markets and business remain uncertain. The extent of the Covid-19 pandemic's impact on the Group's business, assets, results of operations, financial condition and prospects will depend on future developments, including its duration and scope globally (including with respect to Covid-19 variants and the success of vaccination campaigns and treatment options, both in the Group's markets and on an international scale), together with the resulting impact on the Group's customers and suppliers and general economic conditions. The Group cannot predict with any certainty if or when any further disruptions will occur due to the rapidly changing environment as the Covid-19 pandemic continues to evolve. Even after the Covid-19 pandemic itself has subsided, the Group may continue to experience material adverse impacts from any of the events described above on its business, assets, results of operations, financial condition and prospects.

1.1.8 The Group's future success depends on its ability to satisfy changing customer demand and respond to evolving market and technological trends with attractive and innovative products, technology and services on competitive terms

The automotive industry has faced and is expected to continue to face a number of evolving market and technology trends, including growing environmental awareness by consumers, regulators and other stakeholders, increasingly strict energy efficiency and exhaust emissions regulations, and increasing demands for digitalization, connectivity and safety features. These trends are reflected in, among other things, a movement in consumer demand, governmental support and focus by the automotive industry away from ICEs in favor of BEVs and other alternative powertrain systems, as well as rapid progress in the development of autonomous driving technology. These changes, coupled with vehicle connectivity, interactive safety systems, in-car infotainment systems and an increased role of artificial intelligence ("**AI**"), have increased and will continue to increase the importance of software development capabilities, by expanding in-house software development capabilities or by collaborating with external providers.

Changes in customer demand can also be significantly affected by regional factors, with customers in certain regions putting a greater emphasis on technology and connectivity versus performance and driving experience, or vice versa. In particular, the Group has witnessed shifts in customer sentiment in China, the Group's single largest market, towards greater emphasis on technology packages and overall connectivity. Regional variations in customer demand require the Group to carefully assess and tailor its vehicle packages by region, and any failure to meet region-specific customer demand or keep up with region-specific changes in customer demand could negatively impact the Group's sales and growth strategy. Further, customers in certain regions, particularly China, have and may continue to shift their preferences towards different business models, such as direct-to-consumer sales of vehicles (which differs from the Company's generally indirect sales model using its dealer network), and the Group may not respond to these changes in a timely manner.

Further, while these factors are reflected in changes in the demands and preferences of many of the Group's customers, certain customers may still prefer ICEs, and as a whole, the Group's customers expect Porsche vehicles to maintain extremely high levels of quality and performance regardless of the type of powertrain. Increased environmental awareness, often in parallel with increased urbanization, increasing traffic density in major cities, local government policies and restrictions and increases in vehicle and energy costs has also increased the use of modes of transportation other than automobiles, as well as promoted the rise of car-sharing concepts as an alternative to private automobile ownership. As a result of these factors, many consumers, especially in mature markets such as Germany and the UK, have trended towards smaller, more fuel-efficient vehicles (*i.e.*, in many cases away from larger vehicles like sport utility vehicles ("**SUVs**")), or have opted not to maintain a private automobile at all. In the medium- to long-term, autonomous driving systems which require minimal or no human oversight (so-called level 4 and level 5 systems) could also pose a risk to the Group's business model as consumers potentially move away from private automobile ownership in favor of automated transportation services.

The Group's future success is dependent on its ability to correctly assess and respond to these and other developments. Should the Group fail to deliver high-quality, high-performance, innovative and commercially attractive vehicles and related services that are able to compete in the market while also being responsive to consumer and regulatory demands for more environmentally friendly vehicles, it could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

To respond to evolving technological trends and customer demands, the Group is investing significantly in BEVs and related technologies. Among other initiatives, existing and future investments are focused on the introduction of additional BEV models and the development of a proprietary charging network in Europe, with the first stations planned to open in 2023. Further, in 2021, the Group made a capital contribution of EUR 40 million and committed a further EUR 171 million to Cellforce Group GmbH ("**Cellforce**"), a joint venture with Customcells Itzehoe GmbH ("**Customcells**") which, together with fellow cooperation partner BASF, aims to develop and produce high-performance lithium-ion battery cells for Electrified Vehicles, including, potentially, the vehicles of the Group. In May of 2022, the Group announced that it had invested USD 100 million as part of a broader capital raise for the U.S.-based Group14 Technologies Inc. ("**Group14**"), a manufacturer of advanced silicon-carbon technology for lithium-ion battery cells. Group14 has signed a supply contract with Cellforce regarding its products. The Group is also investing in a holding company, HIF Global LLC ("**HIF**"), of active project developers of production facilities for synthetic fuels ("**e-fuels**"), which are made of hydrogen obtained using predominantly renewable energy and carbon dioxide extracted from, among other sources, the ambient air.

Despite these significant expenditures, there is a risk that the Group's research and development efforts and joint venture activities will not reach their planned objectives or will not do so in a commercially competitive manner. The Group's research and development initiatives could ultimately fail as a result of unresolved technological barriers, systemic or human errors, failure to receive required governmental approvals, or competitors developing better solutions or technologies or being able to manufacture attractive products at a cost base lower than the Group's. For example, there is a risk that e-fuels intended for use in ICEs may be subject to new regulatory hurdles in the EU which may make research into such fuels and their use in future and existing vehicle models commercially less attractive. The Group's joint ventures face these as well as other risks arising from such arrangements. See "*1.1.17 The Group is exposed to risks relating to joint ventures, co-owned companies and strategic and collaborative partnerships*". The occurrence of these risks could lead to unprofitable research and development investments and associated costs, an inability to compete effectively, a loss of market share and reputational damage, all of which could materially adversely impact the Group's business, assets, results of operations, financial condition and prospects.

1.1.9 The Group is exposed to risks regarding the development of its Electrified Vehicle offerings and the electric vehicle market in general, which could also impact the ability of the Group to achieve its sustainability ambitions

Electrification has been and is expected to remain one of the major trends in automobile manufacturing. In line with this, the Group has expanded and plans to continue expanding its offering of Electrified Vehicles, including the all-electric Taycan, the Macan BEV, currently in road testing and which the Group plans to begin delivering in 2024, BEV models of the 718 and the Cayenne, and an expected new, fully-electric luxury SUV model. The Group's ambition is for over 50% of new vehicles delivered to be Electrified Vehicles in 2025 and over 80% of new vehicles delivered to be BEVs in 2030. The shift away from the Group's traditional ICE offerings has entailed, and is expected to continue to entail, significant related research and development and production costs as well as research and development capacity commitments relating to electrification and battery-electric technology, which will only increase as the Group expands its Electrified Vehicle offerings. The Group is therefore exposed to risks relating to electrification and battery-electric technology.

The development of battery-electric technology may not progress as quickly as anticipated or different types of battery-electric technology could develop which are more competitive than what the Group has chosen to develop. The Group's electric vehicle production is also dependent on lithium-ion batteries, and any shortages of lithium-ion batteries in general could result in battery-electric vehicle technology developing more slowly than the Group and the market currently expect. Demand for Electrified Vehicle battery cells is expected to increase in the future as more automotive manufacturers switch to Electrified Vehicles, and as a result these shortages of lithium-ion batteries could continue to worsen if such increased demand outgrows supply capacity. Further, the Group is presently reliant on one supplier for each relevant model line to supply and other external parties to develop the high-performance batteries needed for the Group's Electrified Vehicles. In addition, the production of batteries may not meet customers' expectations regarding sustainability if they are not produced in a sustainable way using sustainable energy and raw materials.

Further, delays in the development and roll-out of software incorporated into the Group's Electrified Vehicles could also significantly impact the ability of the Group to keep to scheduled vehicle launches, as has already occurred in the case of the Macan BEV. Should the Group be unable to successfully develop, market and sell its Electrified Vehicles, the significant related costs and capacity commitments may not ultimately result in the expected earnings. Further, should the Group be unable to keep to scheduled vehicle launches for Electrified Vehicles, the Group may also fail to meet its sustainability ambitions, be forced to revise them or have to seek alternative methods of reaching its ambitions, as well as experience lost sales, each of which could have a significant negative financial and reputational impact on the Group. In addition, Electrified Vehicles are an essential part of meeting various national or supranational CO_2-related fleet regulations, which the Group estimates are applicable to approximately 90% of its sales volume. In cases of shortages in the Group's production of Electrified Vehicles in the future, the required fleet CO_2 targets may not be met and the Group could be penalized. These penalties, which could be financial in nature or take the form of restrictions on the ability of the Group to sell its vehicles in the relevant jurisdictions, could result in reputational damage and a material negative financial impact on the Group.

In addition, the transition from ICEs to BEVs is associated with an increase in the technological complexity of vehicle production, which has required and will continue to require that the Group repurpose, modify or expand its existing manufacturing capabilities, particularly at its Stuttgart-Zuffenhausen and Leipzig sites, as well as increase the number of series parts which the Group, by itself or together with its suppliers, must develop for new Electrified Vehicle models. A failure to properly manage these aspects of the transition could lead to significant increased development and production costs being borne by the Group and delays in Deliveries.

The occurrence of any of these events could cause a significant negative financial and reputational impact on the Group and could negatively impact the Group's ability to roll-out Electrified Vehicles in a timely manner.

The Group is also exposed to the risk that its Electrified Vehicles do not meet customers' expectations and preferences in relation to the performance, handling and overall driving experience customers traditionally associate with a Porsche as a high-performance luxury sports vehicle or in relation to the electric-only driving range of the vehicle. More generally, the demand for Electrified Vehicles relies on a number of factors which are partly or entirely out of the Group's control. Sales of Electrified Vehicles are hard to predict, and consumers may ultimately decide to continue to predominantly purchase ICEs or to purchase vehicles with another technology rather than battery-electric, such as hydrogen fuel cells. Consumers may also have concerns about the availability of charging infrastructure, energy costs or other factors. Further, carbon taxes on utilities (such as electricity) could increase the costs associated with charging Electrified Vehicles and thus make them less attractive to purchasers.

In addition, the development of Electrified Vehicle demand is likely to be inconsistent across the Group's markets due to, among other things, varying governmental support and infrastructure development. Even in developed markets, the existence (and relative proximity to major roadways), accessibility (*e.g.*, customer interface, payment system and vehicle compatibility), reliability and performance of charging infrastructure and governmental support therefor, the quality of electrical infrastructure available to support large expansions of Electrified Vehicle charging stations, energy prices and governmental subsidies, tax exemptions or other support for purchasers of Electrified Vehicles (which in some of the Group's markets, including the United States and Germany, are being or may eventually be phased out or discontinued) remain a significant hurdle to full-scale adoption of such vehicles.

Further, even if consumer demand for Electrified Vehicles is strong and the Group is able to produce Electrified Vehicles in numbers which would meet this demand, insufficient charging infrastructure, either by itself or in combination with other factors, could still lead to customers choosing not to purchase an Electrified Vehicle or not to purchase an Electrified Vehicle from the Group. In March of 2022, the Group announced plans to build a Porsche proprietary charging network in Europe, with first stations planned to open in 2023 and up to 100 stations planned overall, and the Group expects to remain an active partner, along with other OEMs (either directly or through their subsidiaries) like the BMW Group, the Mercedes-Benz Group, Ford Motor Company, Hyundai Motor Group, and other representatives of the Volkswagen Group (Volkswagen AG and Audi) in the joint venture IONITY Holding GmbH & Co. KG ("**IONITY**"), which currently operates a network of charging stations in Europe with the goal of increasing the number of stations from approximately 420 as of July of 2022 to more than 1,000 by 2025. In addition to IONITY charging at highways, the Group offers customers charging options through Porsche Destination Charging, which already includes more than 4,000 Porsche branded charging points in more than 78 countries, a Porsche Charging Service consisting of both an app as well as interfaces to help customers connect to more than 275,000 third-party charging points around the world, including in over 20 European countries, the United States and China, with additional solutions for customers in the United States, Canada and other markets, such as offering compatibility with major public charging networks, as well as a local version of the Porsche Charging Service for customers in China and more than 100 Group-owned stations in China as of July of 2022, among other charging offerings. However, these charging infrastructure initiatives could, due to internal or external factors, many of which are outside of the control of the Group, fail to expand sufficiently in line with consumer demand for Electrified Vehicles. The Group has already witnessed charging infrastructure issues in, for example, the United States and Canada following the launch of the Taycan, including problems arising from an overall lack of appropriate charging sites, dealer charging sites becoming subject to defects and facing significant downtime, slower than expected charging performance, functionality and payment issues with the Porsche Charging App and issues with installing outdoor charging docks.

This transformation towards an Electrified Vehicle-centric product portfolio is also of significant importance as the Group works towards a net carbon neutral value chain in 2030, as these vehicles have a potentially "**decarbonized use-phase**", *i.e.*, a net carbon neutral impact when driving while powered by green electricity (or with electricity the carbon impact of which is offset through the purchase of green energy certificates). As such, should the Group's transition to an Electrified Vehicle-centric product portfolio become delayed significantly, it could impact the ability of the Group to meet its sustainability ambitions.

As the development and roll-out of and, ultimately, success of the Group's transformation to an Electrified Vehicle-centric product portfolio is both an ambition of the Group in its own right as well as critical for the Group's progress towards a net carbon neutral value chain in 2030, any failure or significant delay by the Group to achieve these ambitions, whether due to internal or external factors, or a combination of both, could have a material adverse effect on its business, assets, results of operations, financial condition, prospects and reputation.

1.1.10 The Group's future success is dependent on the successful execution of its business strategy

The Group's future success is dependent on the successful execution of the Group's strategy of further building on its positions as a major global manufacturer of high-performance luxury two-door sports cars, sports limousines and SUVs (collectively, "**sports vehicles**") and a globally iconic luxury brand, expanding its e-mobility offerings and services, driving sustainability initiatives and being an employer of choice, all while maintaining profitability. Central to this strategy are the Group's ambitions of over 50% of new vehicles delivered being Electrified Vehicles in 2025, over 80% of new vehicles delivered being BEVs in 2030 and working towards a net carbon neutral value chain in 2030. Further key components in achieving the Group's strategic goals include further developing and curating premium customer experiences, aligning the Group's product strategies with customer requirements of the future, building up the Group's digital skills and knowledge and promoting diversity and awareness in the workplace.

The Group's ability to achieve its strategic goals is subject to a number of risks. The development of the Group's Electrified Vehicle product portfolio and of the market for such vehicles is uncertain due to a number of factors, including the degree of customer acceptance, sufficient charging and related infrastructure, supply shortages, disruptive technologies and technological hurdles, including those arising from environmental laws and regulations. See "*1.1.9 The Group is exposed to risks regarding the development of its Electrified Vehicle offerings and the electric vehicle market in general, which could also impact the ability of the Group to achieve its sustainability ambitions*". The development of and the ability of the Group to launch planned Electrified Vehicles are increasingly dependent on the timely development, delivery and roll-out of software applications, many of which are produced by third parties, with delays in the development of CARIAD's E^3 1.2 platform, a universal operating system for cars, having already led to delays of the start of production and launch of the Macan BEV. See "*1.1.6 The Group's ability to introduce its next generation of vehicles and electrify its existing product lineup depends in large part on the development of next-generation vehicle hardware and software architecture. The failure of certain software platforms and applications and related hardware architecture to be developed, delivered and rolled-out in a timely manner has led to the Group delaying product launches, and there is a risk of similar occurrences in the future*".

Further, the Group's current offering of ICEs is subject to significant and increasingly burdensome regulatory requirements, which may threaten their profitability and long-term viability, and solutions such as e-fuels may encounter regulatory challenges or not be widely accepted or ultimately may be unprofitable. See "*1.3.1 New, existing or changes to existing vehicle emissions and climate change related laws and regulations could result in substantial costs for the Group and have a significant effect on how the Group operates its business, and the Group may not be able to develop commercially viable vehicles that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products*".

In addition, the manufacture, and ultimately sale and delivery of, ICEs and Electrified Vehicles is highly dependent on the timely availability of key parts and components, including semiconductors, and raw materials, which are subject to ongoing shortages and supply bottlenecks. Electrified Vehicles in particular require a greater number of semiconductors than ICEs as well as certain key raw materials for the production of battery cells. See "*1.1.4 The Group is dependent on the performance of third-party suppliers, many of which are struggling to meet demand due to supply chain disruptions. In particular, the Group has been and continues to be impacted by the global semiconductor shortage*" and "*1.1.5 The Group's business, which depends on the timely availability of high-quality raw materials at reasonable prices and, in many cases, produced in a sustainable manner, is currently facing, and may continue to face, delays, shortages and price volatility as a result of global supply chain disruptions and other factors*". As the Group's transformation towards an Electrified Vehicle-centric product portfolio is also of significant importance as the Group works towards a net carbon neutral value chain in 2030, due to these vehicles having a potentially decarbonized use-phase, these two aspects of the Group's strategy are significantly interlinked. As such, should the Group's transition to an Electrified Vehicle-centric product portfolio become delayed significantly, it could impact both ambitions.

In addition to increasing its Electrified Vehicle product portfolio, the Group's ambition to become net carbon neutral in 2030 is also subject to progress made in individual levers, such as technological advances that have yet to be fully developed, as well as other factors, such as regulatory or economic developments, that may be out of the Group's control. The Group's progress towards a net carbon neutral value chain in 2030 is expected to require that the Group (directly or indirectly through its suppliers) procure CO_2-optimized raw materials (such as CO_2-optimized aluminum and steel) and source renewable electricity, both of which are associated with higher price points than raw materials and electricity that are not so optimized, due to their relatively lower supply and increasing demand from environmentally-conscious manufacturers. The Group is currently reviewing and implementing sourcing plans for future vehicle development, including specification requirements for its suppliers with respect to the amount of CO_2 which can be attributed to a specific raw material, which may rely heavily on CO_2-optimized raw materials and renewable electricity. Further increases in the cost of CO_2-optimized raw materials and renewable electricity could also significantly increase the Group's cost of sales, which the Group may not be able to pass on to consumers in the form of higher vehicle prices. Additionally, should the Group be unable to source the requisite amounts of CO_2-optimized raw materials and renewable electricity, it may be required to offset the sourcing of traditional raw materials and electricity by purchasing carbon emissions credits to an even greater extent than planned to ensure it can meet its sustainability ambitions. The price of such carbon emissions credits could increase in the future due to competitive price pressure as more companies focus on offsetting the environmental impact of their operations and, should the Group have to purchase such offsets, such price increases could negatively impact the Group's profitability.

Furthermore, the Group sets its decarbonization strategy based on its own decarbonization index ("**DCI**"), which aims to offer a comprehensive overview of the CO_2 equivalent emissions throughout the Group's value chain. Inputs for the DCI include, *inter alia*, vehicle use-phase estimates, lifecycle assessments and data provided by the Group's suppliers and third-party data providers which are often generic in nature. Such inputs may not always be accurate. Lifecycle assessments, for example, are unable to capture every factor in their various models and may employ generic data based on averages, unrepresentative sampling or outdated results. If the Group were to use inaccurate or incorrect inputs for its DCI, it could set incorrect targets when defining its further decarbonization strategy. This could have an adverse effect on the Group's operations by leading to misinformed business decisions or on the Group's profitability, for instance by leading to the purchase of incorrect amounts of carbon emissions credits. It could also lead to allegations that the Group has exaggerated or otherwise incorrectly depicted certain sustainability-related achievements, which could harm the Group's reputation and potentially subject it to legal claims.

Any failure by the Group to successfully execute its business strategy could have a material adverse effect on its business, assets, results of operations, financial condition and prospects.

1.1.11 The luxury automotive segment is highly competitive

The automotive industry, and in particular the luxury automotive segment in which the Group operates, is highly competitive and competition may intensify in the future. Key factors affecting competition in the luxury automotive market include design, driver experience, product quality and performance, innovation, customer service, initial purchase price, fuel efficiency, financing terms and reliability, as well as environmental impact and perception thereof. Additional factors affecting competition include safety, recall history, the availability and terms of aftersales and other services, as well as the ability to respond to specific customer needs with tailored products and services. Competition is moreover increasingly driven by technological leadership and the ability to respond to the evolving trends transforming the automotive industry as a whole, including battery-electric technology and alternative fuels, vehicle software, connectivity, infotainment offerings and infotainment hardware and autonomous driving. With respect to battery-electric technology, key competitive factors include battery-electric range and overall vehicle efficiency, both within the context of appropriate vehicle performance, the degree and sophistication of related vehicle software and manufacturer support for charging infrastructure and related services. Other current advantages of Electrified Vehicles include governmental subsidies, tax credits and exemptions and other government support measures designed to encourage consumers to purchase Electrified Vehicles, but which are being or may eventually be capped by vehicle price or phased out or discontinued over time. In jurisdictions in many of the Group's key markets, the future availability of tax credits and other support measures for purchasing Electrified Vehicles, as well as their applicability to the Group's vehicles, is uncertain.

The Group currently faces competition from traditional luxury automobile manufacturers as well as from traditional premium automotive manufacturers, some of which are increasingly targeting the luxury segment, with many competitors in both segments developing their own BEV strategies or having already brought BEVs to the market. Further, the Group faces competition from existing BEV-only manufacturers, many of whom are already active in the luxury segment or may expand their product portfolio into the luxury segment. BEV competition is expected to intensify in the near term and beyond as the Group's competitors launch a number of new BEV models which target the same potential customers as the Taycan and the planned Macan BEV as well as other new BEV models that the Group plans to launch. In certain markets, particularly China, the Group faces competition from new BEV market entrants as well as from existing BEV manufacturers who currently or may in the future produce vehicles targeting the premium or luxury segments, potentially at a lower price point than the Group's vehicles. In addition, the Group, particularly as it expands its Electrified Vehicle offerings, may face competition from automotive manufacturers which offer vehicles with other powertrain technologies, such as those utilizing hydrogen fuel cells, which technologies may have or may be marketed as having advantages over Electrified Vehicles.

In particular, some Chinese BEV manufacturers targeting the premium and luxury segments have significantly increased their market share in China in recent years, in part by capitalizing on the preferences of local customers for advanced technological features and connectivity and/or a desire to support local brands. In the United States, customers often cite limited range as among their biggest concerns with BEVs, suggesting that BEVs with longer battery ranges will have a strong competitive advantage in the United States. To the extent the Group fails to produce BEVs that can address these and other customer preferences and concerns in China and the United States more effectively than its competitors in those countries, its sales and market position there may suffer.

Furthermore, the automotive industry has been facing increasing competition from new market participants seeking to disrupt the traditional industry through the introduction of new vehicles and services and alternative ownership models such as car-sharing, short-term use and subscription models. It is also possible that, given ongoing production and delivery delays across the automotive industry caused by, among other things, supply chain disruptions, those automobile manufacturers which are able to navigate such challenges and deliver their vehicles on schedule or with minimal delay will gain a commercial advantage over those which are unable to do so. As a result, maintaining the desirability of products (which may also imply little or no waiting times in some markets) and the speed of delivery could become key competitive factors in the luxury automotive market.

The competitive environment in the luxury automotive segment, particularly in the context of its capital-intensive nature, has also led to a trend of consolidation and strategic alliances with respect to manufacturing, machinery, research and development, product design, engineering and technology. If the Group's competitors consolidate or enter into strategic agreements or alliances, they may be able to take better advantage of economies of scale and benefit from the cost savings offered, which could adversely affect the Group's competitiveness with respect to those competitors. Furthermore, the Group may fail to maintain its market share and sales volume as a result of competitors entering into such strategic alliances or taking other actions that amplify rising competition.

Further, the automotive industry as a whole has been facing competitive pricing and margin pressure to stimulate demand, which could adversely affect the Group's ability to increase or maintain its product prices. Some of the Group's competitors may have greater financial, marketing and operating resources than the Group, or lower overall cost structures. Certain competitors of the Group, including in the Group's largest single market, China, have adopted a higher-volume business model, allowing them to reduce the offering price of subsequent model years, causing price erosion across the market. The Group's competitors could also localize vehicle production in lower-cost jurisdictions, for example, giving them cost advantages, as well as potential price advantages over the Group's products in those markets to the extent such local production reduces import duties. Localization of production could also be viewed by prospective purchasers as an advantageous characteristic of competitor vehicles. Similarly, competitors with local brand names could have advantages over the Group among some potential purchasers. The Group's current competitors or new entrants to the market in which the Group operates could also adapt more quickly to the transformational changes and regulatory requirements facing the industry than the Group does, differentiate themselves more effectively, or improve the functionality or performance of their products and services more quickly or in a more cost-effective manner.

Competitive pressure will therefore encompass a wider range of competitors, products and services, resulting in pricing pressure, potentially lost sales and lower margins. Any failure by the Group to compete effectively could have a material adverse effect on its business, assets, results of operations, financial condition and prospects.

1.1.12 The development of the Group's existing and planned product portfolio is capital-intensive, and unforeseen deviations from the Group's budget may result in product delays and negatively impact the Group's profitability

The Group is exposed to risks arising from the significant investments needed to maintain and further develop its product portfolio. The Group's research and development costs (without amortization) for H1 2022 amounted to EUR 1,304 million (for the six months ended June 30, 2021 ("**H1 2021**"): EUR 1,255 million) and for 2021 amounted to EUR 2,417 million (2020: EUR 2,243 million). A significant amount of the Group's research and development costs is expected to relate to transitioning from ICEs to BEVs. To support upcoming and longer-term vehicle roll-outs, the Group is, together with Audi, designing a modular platform for electric car development, which is expected to support the Macan BEV and future Electrified Vehicles in the near- to medium-term. To support the Group's vehicles launched in the longer term, the Group is also working together with the Volkswagen Group and Audi to develop a backbone scalable systems platform (the "**SSP**"), a sport version of which is being developed for use by the Group ("**SSP Sport**"). The transition from ICEs to BEVs is also associated with an increase in the technological complexity of vehicle production, which has required and will continue to require that the Group repurpose, modify or expand its existing manufacturing capabilities, particularly at its Stuttgart-Zuffenhausen and Leipzig sites, as well as increases in the number of series parts which the Group, by itself or together with its suppliers, must develop for new Electrified Vehicle models. Such developments are associated with significant research and development expenditures.

The Group may ultimately exceed its budgeted research and development costs due to a number of factors, including inaccurate assumptions with respect to planning and implementation costs, unexpected technical challenges, weaknesses in project design and management, late design changes in the development process, for example in connection with new regulatory requirements, as well as quality or availability problems of supplied vehicle components, such as battery cells for future Electrified Vehicles. In addition to increased costs, these factors could result in delays in new product launches, the Group delaying Deliveries, quality issues, and damage to customer relationships, any of which in turn could have a negative impact on the Porsche brand. Further, the Group may fail to operationalize investments in part or in full, which could result in these investments not providing the expected benefits.

A failure by the Group to properly estimate and manage its research and development expenditures could have a negative impact on the development of its product portfolio and the profitability of its vehicles, which could materially adversely affect its business, assets, results of operations, financial condition and prospects.

1.1.13 The Group is more vulnerable to decreased demand for luxury sports vehicles, including SUVs, than automobile manufacturers with more diversified or less expensive product ranges

The Group produces luxury sports vehicles, including SUVs. With over half of vehicle sales in 2021, 2020 and 2019 being in the SUV segment (*i.e.*, the Cayenne and Macan model families), the Group's sales revenue and volume are particularly reliant on market and competitive conditions and consumer demand in this segment. The Cayenne and Macan model families together constituted 57% of the Group's Deliveries in 2021, 63% in 2020 and 68% in 2019. Further, the Group is targeting the SUV segment as a significant part of its future growth strategy, including, for example, by way of the planned start of deliveries in 2024 of the Macan BEV, among other product initiatives. The importance of SUV models to the Group's current and future success, therefore, exposes the Group to a concentration risk with respect to the success of these models as compared to the rest of its product portfolio.

Several other automotive manufacturers, including some of the Group's direct competitors, operate in a relatively broader spectrum of market segments than the Group, which makes the Group more vulnerable to decreased demand for luxury sports vehicles, and in particular SUVs, than those automobile manufacturers with more diversified or less expensive product ranges. Especially in economic downturns, demand for the Group's products may be reduced as customers may shift from buying luxury sports vehicles to buying vehicles in less expensive segments. Increased customer concern with respect to the environmental impact of cars could also lead in particular to reduced demand for luxury sports vehicles such as the Group's SUVs. Any downturn or reduced demand for luxury sports vehicles, including SUVs, or any reduced demand for the Group's most popular models or series, such as the Cayenne and Macan, in the geographic markets in which it operates, could have a more pronounced effect on the Group's results of operations, financial condition and prospects than would have been the case if it had operated in a larger number of different market segments.

1.1.14 The Group may not be able to achieve the targeted prices for its new vehicle models and may not be able to maintain or improve its profitability

The highly competitive nature of the luxury segment of the global automotive industry has resulted in some manufacturers of high-performance sports, luxury and premium vehicles offering marketing incentives on their vehicles in an attempt to increase demand and maintain and grow market share. These incentives historically have included a combination of subsidized financing or leasing programs, price rebates and other incentives. As a result, the Group may not be able to achieve its targeted prices for its new models and may not be able to offset higher costs of marketing incentives, components, raw materials or other cost increases, the impact of adverse currency fluctuations or pricing advantages certain competitors may have (because of their weaker home market currencies or because their manufacturing operations are based in lower-cost locations) without losing significant sales volumes as a result. Continuation of, or increased incentives and other pricing measures by competitors, could have a material adverse effect on the Group's profitability. Even in the absence of such competitor measures, any efforts by the Group to offset the impact of inflationary pressures on its cost of sales through increasing vehicle prices may not succeed if customers regard such price increases as too high or frequent. Furthermore, an increase in the supply of vehicles, *e.g.*, due to an alleviation of the current supply chain disruptions, coupled with a consistent or decreased demand for vehicles could potentially influence the Group's prices (*i.e.*, the recommended retail price) in the future.

Any change in customers' view of the Group, for example if the Group does not meet customers' expectations with respect to performance, design, innovation, style, quality or other important features, resulting in those customers no longer considering the Group a high-performance luxury brand, may adversely affect the Group's ability to maintain or improve pricing. In addition, the Group's ability to successfully adapt its cars to new technologies, in particular Electrified Vehicle and autonomous vehicle technology, is a prerequisite for improving pricing of the Group's cars. See "*1.1.9 The Group is exposed to risks regarding the development of its Electrified Vehicle offerings and the electric vehicle market in general, which could also impact the ability of the Group to achieve its sustainability ambitions*". Furthermore, the Group's pricing of its ICEs could be adversely affected as a result of certain customers' potential negative perception of these cars due to, for example, environmental concerns.

In addition, developed markets such as the EU and the U.S. already have high car ownership rates and both car ownership and vehicle-kilometers driven may be reaching their saturation point. This competitive trading environment and the saturation in these mature markets could lead to fewer cars being sold and reduced profitability in these markets. In addition, a more mature market for Electrified Vehicles will likely result in comparatively lower prices, as a consequence of increased supply and because the next generation of batteries is expected to be less expensive. Further, changes in customer behavior, such as moving away from private automobile ownership all together, could cause saturation points for the market segments relevant to the Group's vehicles to be reached faster. If the Group is unable to lower its production costs of Electrified Vehicles in response to these or other changing market dynamics, this would have an adverse effect on the Group's profitability. Hence, there is a risk that the Group will not be able to maintain or improve pricing on its cars when transitioning to Electrified Vehicle technology or that the Group will not be able to maintain its profitability when the EU and U.S. markets have reached their respective saturation points. Any of these events could have a material adverse effect on the Group's profitability and margins.

1.1.15 The Group generates significant sales revenue through vehicle customizations, and changes in customer habits or other factors which reduce the frequency or value of such customizations could negatively impact the Group's profitability

The Group's customers are able to request a significant number of customizations to base and derivative models of vehicles in each of the Group's model families. These customizations include wheel upgrades and accessories, different interior packages, alternative seats and seat stitching, exterior features (such as panoramic roof systems and roof rails), upgraded suspension management systems, intelligent park assist features, lane change assist, adaptive cruise control, surround sound systems and LED headlights, among many others. These customizations can considerably increase the sales price of a vehicle above its list price and thus contribute significantly to the sales revenue and profit the Group can earn on customized vehicles.

Should customers choose to forgo ordering customized models entirely or decrease the level of customization, the Group's sales revenue and profitability could be negatively impacted. Such changes in customer habits could happen as a result of various factors, including customers choosing speed of delivery over the level of customization, as the Group has experienced with some customers in the United States, customers becoming more cost-conscious or customers increasingly choosing to customize the Group's vehicles in the third-party aftermarket. The Group may also be unable to offer certain customizations due to supply shortages, such as the global shortage of semiconductors, which are required for various electrical components.

Any of the foregoing could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.16 The Group could be materially adversely impacted by the imposition of measures restricting market access, including tariffs, particularly in relation to the United States and China

As a globally active business, the Group is exposed to risks arising from measures restricting market access, including tariffs. These risks are more acute for the Group, which predominantly manufactures its products in the EU (a third-party assembly facility in Malaysia being the only non-EU manufacturing site), than it is for those of its competitors which have local production and assembly operations in other locations where they may benefit from lower or fewer barriers to market access. The global trade environment has for some time been subject to increased nationalism and resulting protectionist measures, and it is unclear if or when this trend will subside. Of particular relevance to the Group in this regard are the United States and China, due to the importance of these markets to the Group's overall business portfolio and strategy.

The introduction of trade barriers, the withdrawal of countries from or the renegotiation of bi- and multilateral trade agreements with more restrictive trading conditions, or countermeasures by regional or global trading partners could have a negative impact on the global economic environment and thereby result in lower demand for the Group's products. For example, a renewed escalation or expansion of the trade conflict between the United States and China or trade conflicts between the EU and China could have a significant negative impact on global economic growth, which could, in turn, have a negative impact on consumer spending and as a result a material adverse effect on the Group's results of operations.

Protectionist measures could also directly adversely affect the Group's results of operations if tariffs and other market access barriers, such as increased certification requirements for imports, in markets to which the Group exports vehicles decrease demand for the Group's products, erode margins or benefit competitors who are not affected by such measures. In addition, if the scope of the free-trade agreements ("**FTA**") from which the Group currently benefits is significantly narrowed or the conditions of future free-trade agreements are more restrictive, this could significantly impair the position of the Group in the relevant markets to the extent it is no longer, or only partially, able to take advantage of those agreements. For example, the Group is, based on EU trade agreements with various countries (*e.g.*, Canada, the UK and Korea), able to import Porsche vehicles into these countries with little or no import duty and harmonized regulatory technical requirements, as long as the vehicles meet a local content requirement. A renegotiation of these trade agreements which ends or restricts the ability of the Group to do so or makes doing so technically or financially unfeasible, or a failure by the Group to meet existing local content requirements, could expose the Group to increased import duty costs. In addition, even if FTAs remain unchanged, complying with the local content requirements may become more difficult or may no longer be possible as a result of re-sourcing certain vehicle components. This may become necessary, for example, as a result of shortages in the supply of affordable energy, including natural gas.

Of particular importance for the Group is the interplay between local content requirements and battery cells for Electrified Vehicles. As the battery cell of an Electrified Vehicle constitutes a significant portion of the overall cost of its production materials, and thus its local content, sourcing of battery cells plays a significant role in determining whether an Electrified Vehicle satisfies a local content requirement. Should the Group have to predominantly source battery cells or the components of a battery cell from, for example, Asian markets, this could lead to Electrified Vehicles exported by the Group to non-EU FTA jurisdictions being subject to higher taxes due to not meeting the relevant threshold of EU-content. As the Group plans to significantly expand its offering of Electrified Vehicles, it may therefore be subject to increasingly higher taxes on imports of these vehicles into non-EU FTA jurisdictions, which could negatively impact the Group's profit per vehicle if the Group cannot correspondingly increase the price at which it sells the relevant vehicles to dealers and distributors.

Further, barriers to trade could increase the Group's manufacturing costs by increasing the cost of vehicle parts and components, affecting both the Group's cost of sales and demand for its products. The Group's vehicle production and assembly operations currently occur only in Germany, Slovakia and Malaysia, exposing it to risks resulting from localization or local value add requirements in other jurisdictions, which are becoming increasingly common. Localization is a complex and time-intensive process. Should the Group's competitors localize vehicle production in lower-cost jurisdictions, however, they could gain cost advantages, as well as potentially price advantages, over the Group's products in those markets to the extent such local production reduced import duties. Even without localization requirements, local value add requirements could result in a need for the Group to increase local purchasing, which could result in an increase in the Group's expenses. Further, the disruption of technological and economic links between major markets, including through governmental measures, may also adversely affect earnings if research and development have to be conducted locally, value chains are required to be adjusted to avoid supply chain disruptions or because the use of certain technologies or components in the final products is not permitted. For example, China is increasingly regulating or prohibiting the use of software based on Google or Apple products, which is present in many of the Group's vehicles through connectivity features with smartphones and similar devices and may in the future be embedded directly. Should this trend continue, the Group may incur additional costs in developing and tailoring technology packages in its vehicles intended for sale in China.

Any barriers to trade or other protectionist measures that increase the Group's cost of production or the price of its products, or the relaxation of such barriers or other measures that increase the level of competition in the relevant markets, could jeopardize the competitiveness of the Group's products, and have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.17 The Group is exposed to risks relating to joint ventures, co-owned companies and strategic and collaborative partnerships

The Group has and may in the future engage in significant partnerships and joint ventures, the commercial and operational success of which is difficult to predict. In particular, the Group maintains partnerships and joint ventures with several strategic partners and associates as part of its strategy of expanding its e-mobility and digitalization products and services. Examples of such arrangements include Cellforce for the development and production of high-performance lithium-ion battery cells for electric vehicles, Group14, a manufacturer of advanced silicon-carbon technology for lithium-ion battery cells, IONITY, for the development of a European vehicle charging network and a joint venture with Rimac Automobili d.o.o. ("**Rimac**") to be known as Bugatti Rimac ("**Bugatti Rimac**"), the aim of which is to continue to produce the Bugatti Chiron and the all-electric Rimac Nevera and to develop and produce a successor to the Chiron as well as potentially other new models.

Participation in partnerships and joint ventures subjects the Group to a number of risks and challenges, including:

- the Group's business and legal interests may not always be aligned with those of its partners and any of the Group's current or future joint ventures or partnerships may fail to be successful, achieve their planned objectives or meet their targeted timelines;

- joint ventures and partnerships may require an investment of considerable management, financial and operational resources to establish sufficient infrastructure such as risk management, compliance or other processes, to meet strategic or production targets or to be scaled in a commercially viable manner;
- joint ventures and partnerships may require outside financing, including via fund-raising efforts in which the Group may need to participate on a pro-rata basis to its stake, and such financing may not always be available on acceptable terms or at all;
- issues with integrating assets and personnel contributed to a joint venture or partnership by the Group or a partner, which could negatively affect the commercial viability of the joint venture or partnership;
- joint venture and strategic partners may take actions contrary to the Group's instructions or requests or contrary to its policies or objectives, be unable or unwilling to fulfill their obligations under the relevant joint venture or strategic partnership agreement, including compliance with reporting obligations and anti-corruption laws or adherence to restrictions on the use of the Group's assets, including intellectual property ("**IP**") rights, or have financial difficulties;
- disputes among joint venture and strategic partners may give rise to litigation or other legal proceedings;
- joint ventures and partnerships may be structurally complicated by the parties involved being required to anticipate and address issues of governance, control, dispute resolution and ownership, use of or rights to other assets, among many other matters;
- the Group may not have the level of strategic control, in general or as a result of the Group's stake being diluted by other investors, over the joint venture or its strategic partner that it requires to fulfill its long-term goals or to prevent quality control issues, inefficiencies or other operational problems;
- a joint venture partner may sell its stake in the joint venture to a buyer who is unattractive to the Group;
- joint ventures may not succeed commercially, resulting in the Group recording an impairment; and
- joint ventures and partnerships may result in restrictions on the Group's ability to compete.

Joint ventures and strategic partnerships may also expose the Group to risks relating to its IP and proprietary rights. See also "*1.3.10 The business of the Group relies on the adequate protection of its IP, trade secrets and know-how, and third parties may claim that the Group infringes their IP rights*".

Should the Group's existing or future joint ventures and strategic partnerships fail for any reason, including as a result of the above risks materializing, this may adversely affect the Group's reputation, the successful execution of its business strategy, its competitiveness, and its ability to comply with regulatory requirements. Any of the foregoing could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.18 The Group depends on the quality and performance of its vehicle offerings, and any defects or other quality issues, as well as any resulting recalls, regulatory inquiries, delays in new product launches, penalties or product or other legal liability, could have a material impact on the Group

The Group incurs substantial costs for monitoring, certification and quality assurance to maintain high quality standards for its products and to comply with government-prescribed safety and other standards. Meeting government-mandated vehicle standards is costly and often technologically challenging, particularly where adopting state-of-the-art technologies is required or where standards conflict with one another. As passenger vehicles become increasingly complex, including as a result of the digitalization of components and communications among such components, the risk of vehicle defects increases. Moreover, the adoption of new technologies, including universal vehicle operating systems, BEVs and autonomous driving may increase the Group's exposure to vehicle defects and product liability. As is the case with ICEs, BEVs may experience operational or mechanical failures related to defects in their drivetrains, batteries, battery cases or other features that can cause accidents, fires, injuries or fatalities involving drivers, passengers or others which in turn could result in significant liability and reputational damage to manufacturers of such vehicles, including the Group.

Applicable laws and governmental standards require manufacturers to take action to remedy defects related to vehicle safety and other standards, and the Group may have to or decide to recall vehicles if the Group concludes that its vehicles do not or might not comply with applicable safety standards. Further, the Group may initiate voluntary service campaigns/workshops in relation to non-safety aspects. Costs associated with recall and service campaigns/workshops or warranty costs to remedy defects in vehicles that have been sold can be substantial. In addition, product recalls could prevent or delay the delivery of vehicles or cause customers to question the safety or reliability of the Group's vehicles and harm the Group's reputation. The risks related to product recalls or voluntary service campaigns are exacerbated if the defect affects a large number of vehicles.

For example, the Group has had to initiate a number of recalls and voluntary service campaigns/workshops for the Taycan since its launch in order to address issues with hardware and software features that were not operating as intended, some of which affected all vehicles in some regions. The Group is currently analyzing a very small number of events where moisture may have entered the battery case. In such event the vehicles' system is designed in such a way that messages are displayed during operation of the vehicles. If such messages are ignored or do not occur this may lead to thermal events or fire. The Company is not aware that any such cases have occurred to date while the vehicles were being operated by customers. As the Taycan is currently the only BEV of the Group, any further recalls or voluntary service campaigns related to the Taycan could potentially have a significant negative reputational impact on the Group and could negatively impact the Group's ability to roll-out Electrified Vehicles in a timely manner, depending on the cause and nature of the remedial action.

As vehicles become more automated and autonomous driving technologies continue to develop, and regulations on such vehicles and technologies continue to evolve to match such developments, the Group is also exposed to a risk of increasing costs associated with complying with these regulations both in the vehicle development process and in the general operations of its business. Further, the trend toward vehicles being increasingly automated and autonomous exposes the Group to a potentially increased risk and scope of product liability as, for example, there is no definitive legal certainty as to the extent to which a vehicle manufacturer or other parties can be held liable if damage to a vehicle or to persons is caused by an automated driving function.

Vehicle manufacturers can also face regulatory investigations, prohibitions on sales of vehicles in a particular market, fines for non-compliance with various governmental standards or rules as well as customer claims and litigation arising from any defects and resulting consequences on product use or safety. As the automotive industry as a whole experiences significant product liability claims, the Group could face individual or class actions relating to product liability, which can entail significant expenses and risk for the Group, in particular in relation to personal injuries and casualties. The Group is a defendant in several product liability cases and pending class actions, containing claims relating to alleged defects to certain models. Product liability-related disputes can concern significant amounts and may sometimes take several years to conclude. Negative outcomes of product liability claims and disputes could have a material adverse effect on the Group's business and results of operations, as well as damage its reputation.

See also "*1.3.2 The Group is subject to risks related to findings of non-compliance and investigations by government authorities regarding potential non-compliance with applicable regulations and standards in a number of jurisdictions worldwide. The results of any government investigations or civil and criminal litigation relating to any non-compliance may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects*".

In addition, product recalls, in particular if material product recalls would occur with a high frequency or be extended to include more vehicles than initially expected, defective products, product liability claims, warranty claims, litigation or regulatory measures such as fines, investigations or prohibitions on the Group selling cars in a particular market could damage the Group's reputation, which could in turn harm its customer relationships and result in reduced sales. Ultimately any such quality-related issues and consequences could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.19 The Group is exposed to risks relating to product warranties

The Group has to provide extensive product warranties to its customers. As of June 30, 2022 and December 31, 2021, the Group's recognized non-current and current warranty provisions amounted to EUR 1,196 million and EUR 1,202 million, respectively. The Group generally records warranty provisions in its accounts based on past experience and known claims, but such provisions may not be adequate for any liability ultimately incurred as a result of potential vehicle defects, such as if material product recalls occur with higher frequency or extend to more vehicles than initially expected. In addition, the Group might also be required to extend the warranty originally granted in certain markets for legal reasons, initiate or extend product recalls, or provide services as a courtesy or for reasons of reputation where the Group is not legally required to do so, and for which the Group will generally not be able to recover from suppliers or insurance. Any such events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.20 The Group has a limited number of manufacturing, design and engineering facilities, and any unforeseen business interruptions at those facilities could have a material adverse impact on the Group

The Group has two wholly-owned manufacturing facilities, in Stuttgart-Zuffenhausen and Leipzig, Germany, produces Cayenne models at the multi-brand Volkswagen Group site in Bratislava, Slovakia and assembles a Cayenne model at a third-party assembly facility in Kulim District, Kedah, Malaysia. The Group also maintains the Porsche Research & Development Center in Weissach, Germany along with a network of additional satellite research and development sites in Germany, the Czech Republic, Romania, Italy and China. The Group's vehicle offerings are each predominantly produced at a single site, with Cayenne models being produced in Bratislava, Taycan, 911, and 718 models being produced in Stuttgart-Zuffenhausen and Macan and Panamera models being produced in Leipzig. Although the Group has worked in the past and may in the future work with production facilities within the Volkswagen Group to meet demand, the Group's limited number of manufacturing and research and development facilities and the practice of producing entire product lines at a single facility expose the Group to concentration risk with respect to production interruptions.

Unforeseen disruption of a production facility could be caused by a number of events, including a maintenance outage, power failure, equipment failure, IT system failures, malicious acts by third parties, fires, floods or other natural disasters, severe weather conditions, social unrest, labor difficulties, public health concerns or other operational problems, as well as supply shortages. A prolonged disruption at a manufacturing facility could result in production downtimes or temporary operation at reduced capacity, preventing the Group from completing production orders in a timely manner, loss of business volume, significant repair costs that are not covered by the Group's insurance coverage and, in severe cases, injuries or loss of life. For example, during the early days of the Covid-19 pandemic in the spring of 2020, the Group had to temporarily suspend operations at its manufacturing sites and many of its dealership operations were forced to temporarily close. Future production downtimes or stoppages could have a material adverse effect on the Group's reputation as well as its business, assets, results of operations, financial condition and prospects.

1.1.21 Vehicle sales depend to a certain extent on the availability of affordable financing

As a significant portion of the Group's vehicles purchased in China, Europe and North America are purchased using financing (in particular operating lease, financing lease and retail finance arrangements), the Group depends to a certain extent on the availability of affordable financing for its customers. In 2021, for example, the Group's Financial Services segment had a customer penetration rate (*i.e.*, the number of new Group vehicle contracts (including those vehicles used for dealer demonstrations and temporary replacements during periods of service) divided by retail sales in the regions where the Group's Financial Services segment operates) of 43.0%. Financing for new vehicles had for years been available at relatively low interest rates in most developed economies, particularly the European Union and the United States. In March of 2022, however, the U.S. Federal Reserve began raising benchmark interest rates in light of rising inflation rates, with further increases occurring in the months thereafter. The ECB has recently announced increases in EU benchmark interest rates as well. Both the U.S. Federal Reserve and the ECB are expected to continue to increase interest rates further in 2022. As a result of these base rate increases, market rates for new vehicle financing could rise as well, which may increase the total cost of ownership associated with the Group's vehicles, making them less affordable to retail customers, or steer customers to less expensive vehicles. This would adversely affect the Group's results of operations and financial condition.

Further, if interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain credit classes, consumers may choose not to, or may not be able to, obtain financing to purchase or lease the Group's vehicles. An increase in interest rates due to tightening monetary policy or for any other reason could also result in increased costs for the Group to the extent it decided to absorb the impact of such increase, for example by paying higher rates on its indebtedness while keeping rates low on its customer financing. As a result, a substantial increase in consumer interest rates or tightening of lending standards could have a material adverse effect on the Group's business, financial condition and results of operations.

1.1.22 Porsche relies to a significant extent on the strength of its brand and image, which could be damaged or weakened

The Group views the Porsche brand and image as synonymous with high-performing, high-quality and innovative luxury sports vehicles as well as iconic modern luxury and as being major components of its future success. As a result, any damaging or weakening of the Porsche brand may impact the Group's overall reputation, sales and profitability. To maintain the strength, appeal and positioning of its brand, the Group must continue to produce attractive, safe, innovative vehicles of appropriate performance, aesthetics and quality, keep up with evolving customer and technology trends and maintain its position of offering an exclusive and highly customer-oriented experience. The Group's efforts in this respect may not always be successful. For example, the Group is currently experiencing customer complaints and negative publicity in China after the Group, due to the semiconductor shortage, delivered certain vehicles without the usual electrically adjustable steering wheel feature, with some affected customers expressing disappointment that the Group did not upgrade the vehicles or offer more compensation.

In addition, the Group believes it has an attractive position in the automotive market generally because the Group's luxury sport vehicles generate significantly more average Automotive sales revenue per car than its premium OEM competitors (source: annual reports, whereby terms in such reports comprising automotive sales revenue and deliveries may not be entirely comparable to the Group's Automotive sales revenue and Deliveries due to differences in accounting policies), which tend to deliver many more vehicles annually. At the same time, it has a volume and scale larger and broader than that of niche luxury OEM competitors, which tend to deliver far fewer vehicles annually. However, these advantages depend on the Group's ability to maintain this market position, and its failure to do so could damage its brand. If the Group were to increase its volume of vehicles delivered to the point where the market began to perceive the Porsche brand as more of a premium than a luxury brand, customers may become less willing to pay luxury prices for its vehicles. This could occur for example if the Group overproduced SUVs in order to capture growth in that segment, thereby undermining the Group's image as a producer of luxury two-door sports cars such as the 911 or the 718. Similarly, if the Group, in an attempt to maintain its luxury prices and its perception as a luxury brand, limited its delivery volume excessively, it could experience a decline in the benefits of scale and reduced profitability per car.

Furthermore, the Group views its motorsports activities as playing an important role in the Porsche brand and image by, among other things, promoting Porsche's racing heritage and innovation. Therefore, an inability by the Group or relevant third parties (*e.g.*, customer teams driving Porsche vehicles) to succeed in motorsports could negatively impact the Porsche brand. Similarly, the Group has an avid customer base of automobile collectors and numerous Group-supported and independent fan clubs around the world, which the Group views as helping to preserve the exclusivity and sense of community associated with owning a Porsche vehicle or being a Porsche fan and thus those aspects of the Porsche brand. A failure by the Group to continue to cultivate its collector customer base or its fan communities could therefore have a negative impact on the Porsche brand.

As the Group's products and operations become more digitized, and subsequently collect and store more customer and other sensitive data, there is an increasing risk that such data could be lost or misappropriated by third parties, which could also have a significant negative impact on the Porsche brand (see "*1.2.4 The Group is exposed to privacy, data and internet related risks, including data breaches and costs related to complying with applicable regulations*"). Additionally, the Group has developed, and expects to continue to develop, the Porsche brand in regard to sustainability, both in its product offerings and general business activities. Any failure to do so, as well as any quality issues, recalls or other product claims, and any resulting negative public sentiment, could adversely impact the Porsche brand. Relatedly, the Porsche brand could be negatively impacted by the additional sustainability disclosure requirements imposed by the EU's Corporate Sustainability Reporting Directive, which according to the current political agreement enters into force from January 1, 2024, should the Group fail to comply with the requirements or should the disclosures made by the Group be found to be untrue, misleading or otherwise damaging to its reputation.

Further, EU Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**"), which entered into force on July 12, 2020, has been applicable since January of 2022 with respect to the environmental objectives "climate change mitigation" and "climate change adaptation" and will be applicable in respect of four additional environmental objectives from January 1, 2023. The EU Taxonomy Regulation requires that companies which are subject to non-financial reporting under EU Directive 2014/95/EU amending Directive RL 2013/34/EU on non-financial and diversity information (the "**Non-Financial Reporting Directive**") include information in their non-financial statements on how and to what extent the company's activities are environmentally sustainable. Once the Company's shares are publicly listed, these requirements will apply to the Group. The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case.

In particular, many manufacturing activities, covering a wide range of products, which may otherwise be considered environmentally sustainable under the EU Taxonomy Regulation may fail to meet the "Do no significant harm" ("**DNSH**") criteria set forth in Appendix C to Annex 1 ("**Appendix C**") to the Commission Delegated Regulation 2021/2139 supplementing the EU Taxonomy Regulation. Appendix C applies to pollution prevention and control regarding use and presence of chemicals. Specifically, lit. f) and lit. g) of Appendix C refer to the requirement that a company's activity must not lead to the manufacture, placing on the market or use of other substances, whether on their own, in mixtures or in an article, that meet certain prescribed criteria, *e.g.*, they are carcinogenic, mutagenic or toxic for reproduction.

For the Group, Appendix C is particularly relevant for its production of BEVs and PHEVs. The Group believes that the manufacturing of BEVs and PHEVs (including its BEVs and PHEVs) generally qualifies as "Manufacture of low carbon technologies for transport", as set forth in Annex 1 to the Commission Delegated Regulation 2021/2139, and thus substantially contributes to climate change mitigation. BEVs and PHEVs, however, may fail to meet the DNSH criteria because the chemical content of the parts and components which many manufacturers of BEVs and PHEVs such as the Group—like the manufacturers of many other products—rely on may not meet the DNSH criteria set forth in Appendix C. Whether this is, in fact, the case depends on how such criteria are ultimately interpreted by the competent regulators.

Even if the ultimate interpretation of Appendix C results in a ban of the substances referred to under lit. f) and lit. g) of Appendix C, the Group's manufacturing of BEVs and PHEVs could still be classified as taxonomy aligned if the use of these substances were deemed to be "essential for society". However, the definition and interpretation of this "essential use" test is currently unclear. As a result, the Group's compliance with the EU Taxonomy Regulation may require it to report that its manufacturing of BEVs and PHEVs is not, or may not be, taxonomy aligned. Such disclosures by the Group could have a negative impact on the Porsche brand and on the Group's image and reputation.

The Group's reputation may also suffer for historical reasons. Adolf Rosenberger, together with Ferdinand Porsche and Anton Piëch, was a founding member of the original Porsche company in 1931. In 1935, Adolf Rosenberger transferred his shares in the original Porsche company to the Porsche family and in 1938 he emigrated to the United States.. In 1949, Adolf Rosenberger made claims against Porsche for compensation because he was of the opinion that he had to leave Porsche because of his Jewish faith. The proceedings were settled in civil court (*Wiedergutmachungskammer*) in Stuttgart in 1950. In June of 2021, Porsche was approached by Adolf Rosenberger gGmbH, which represents the interests of Adolf Rosenberger's estate. Adolf Rosenberger gGmbH alleged that Porsche has not properly reflected the role of Adolf Rosenberger as a founding member of the original Porsche company and the circumstances that led to his departure. The parties agreed to jointly appoint a historian who is intended to evaluate honestly and independently the common history of Adolf Rosenberger and Porsche. Furthermore, there has been and may continue to be publicity in relation to Ferdinand Porsche and other individuals associated with him about his activities during 1933 to 1945. It is possible that the outcome of the Rosenberger evaluation as well as other publicity related to this time period could reflect negatively on Porsche and its founders, and adversely affect the Porsche brand.

Further, the Porsche brand may also be impacted by the actions of the Group's associates and strategic partners, over whom the Group may have little, if any, control (see "*1.1.17 The Group is exposed to risks relating to joint ventures, co-owned companies and strategic and collaborative partnerships*").

Any inability by the Group to maintain and develop the image of the Porsche brand could materially adversely affect the Group's business, assets, results of operations, financial condition and prospects.

1.1.23 The Group may fail to successfully identify, enter into or integrate acquisitions and or successfully execute disposals

The Group has made acquisitions and disposals in the past and may continue to enter into such transactions in the future. However, the Group may not be able to identify suitable acquisition candidates going forward. Even if the Group does identify a suitable acquisition candidate, it may not be able to finance such acquisition on favorable terms or at all. Diligence reviews of acquisition targets may not identify all of the material issues necessary to accurately estimate the cost or potential loss contingencies with respect to a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. The Group may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities, including related to warranties. The Group may also encounter difficulties in integrating acquisitions with its operations, applying its internal controls processes to these acquisitions or managing strategic investments. Target companies may be located in countries in which the underlying legal, economic, political and cultural conditions do not correspond to those customary in the EU or have other national peculiarities with which the Group is not familiar. Moreover, any planned acquisition may be subject to review and approval by the antitrust and other regulatory authorities of a number of jurisdictions, which may impede a planned transaction.

The Group may not realize the targets for growth, economies of scale, cost savings, development, production and distribution targets or other strategic goals that it seeks from an acquisition to the extent or in the timeframe anticipated and the attention of management and other personnel may be diverted for long periods of time. Moreover, the purchase price may prove to have been too high or unforeseen restructuring or integration expenses may become necessary. In addition, the underlying market or strategic assumptions may change adversely between the signing and closing of an acquisition, or the Group may have to pay a substantial break-up fee for terminating the acquisition. Thus, the Group's corporate acquisitions or the acquisition of equity interests in companies may not be successful, which could adversely affect the Group's business, assets, results of operations, financial condition and prospects.

Furthermore, the Group may make strategic disposals from time to time. Disposals may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the completion of the respective transactions. Under these arrangements, non-performance by those divested businesses could result in financial obligations for the Group and could affect its future financial results. In addition, the Group could be subject to potential liabilities resulting from contractual warranties and indemnities, as well as regulatory risks of not being able to obtain required approvals.

The materialization of any of the foregoing risks could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.24 The Group is subject to the risk of a decrease in the residual value of leased, rented and other used vehicles, particularly in the case of Electrified Vehicles

As a lessor under vehicle leasing contracts and short-term rental agreements with repurchase obligations, the Group is exposed to the risk that the market value of vehicles returned at the end of the relevant term may be lower than the contracted residual value at the time the contract was entered into. This in turn increases the Group's risk of future losses when divesting the returned vehicle through its used vehicle business. A decline in the value of used vehicles can be caused by a broad range of external factors affecting the used vehicle market, including adverse changes in customer confidence and preferences, economic conditions, government policies, exchange rates, marketing programs, price pressure in the new vehicle, the actual or perceived safety or reliability of vehicles, the price of raw materials regained from recycling or scrapping, or energy prices. In the case of Electrified Vehicles, residual values may also be impacted by technological developments, particularly where newer models have greater battery electric range, faster or more convenient charging options or better performance. Alternatively, the residual values of ICEs may be adversely impacted by regulatory restrictions on ICEs or as customer preferences increasingly shift to Electrified Vehicles.

Uncertainties may also exist regarding the internal methods for calculating residual values. Although the Group continuously employs residual value models and monitors used vehicle prices, demand and supply trends, and other factors to forecast residual values, the assumptions on which residual value assessments are based may prove to be incorrect. In addition, in the case that actual residual values, due to changes in market or regulatory conditions, turn out to be lower than the amounts calculated at the end of a lease or rental contract, provisions for residual value risk may be insufficient. Similarly, if the market value of the Group's used cars decreases, the Group may have to record write-downs beyond its existing reserves for used vehicle inventory risk. Finally, a significant decrease in the value of used vehicles may create pricing pressure for the Group's new car business if customers are not willing to pay significantly higher prices in monthly lease payments as a consequence of decreased residual values.

As a result of the above factors, the actual residual value of leased, rented and other used vehicles being significantly below the residual values contracted by the Group in vehicle leasing contracts and short-term rental agreements may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.25 As Electrified Vehicles may require less maintenance and fewer repair parts than ICEs, the Group's transition to an Electrified Vehicle-centric product portfolio could negatively impact the Group's sales revenue from aftersales operations

The Group, together with its independent vehicle dealers, generates sales revenue in the aftersales market by, among other activities, providing maintenance services and repair parts to customers. Electrified Vehicles, due to their use of a battery and overall increased reliance on electrical and software components rather than the mechanical components used in ICEs, are generally associated with less time spent undergoing maintenance and, generally speaking, fewer repair parts are needed when they do require maintenance. As the Group transitions to a more Electrified Vehicle-centric product portfolio, the frequency and time spent by a Porsche vehicle at a dealership for maintenance services as well as the number of repair parts needed for any given service may therefore decrease. As a result, the Group's aftermarket sales revenue could decline. While any potential decline may be partially offset by a set of loyalty-increasing measures as well as purchasers of Electrified Vehicles being offered longer component warranties to incentivize them to use the Group or its independent vehicle dealers for aftersales services for a longer duration, such efforts may not be fully or even partly successful. As a result, the Group's sales revenue from its aftersales operations per vehicle in operation could be negatively impacted as it transitions to an Electrified Vehicle-centric product portfolio in the coming years.

1.1.26 The assumptions made in preparing the profit forecast and business outlook included in this Prospectus may prove incomplete or inaccurate

The profit forecast and business outlook included in this Prospectus reflect numerous assumptions made by the Group's management. These assumptions relate to commercial expectations and other external factors, including political, legal, fiscal, market and economic conditions and applicable legislation, regulations or rules, all of which are difficult to predict and are beyond the Group's control. Accordingly, the assumptions made in preparing the profit forecast and business outlook could prove incomplete or inaccurate and there may be differences between the Group's actual and projected results, which could be material. Should this occur, the Group may have to publish such information by way of ad hoc notification, which could adversely impact the price of the Shares of the Company, negatively impact the Group's reputation and make it more difficult for the Group to access capital markets in the future, any of which could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.27 The Group may not be able to obtain or maintain certain environmental, social and governance ("ESG") ratings due to a number of factors, including the Group's performance according to certain ESG criteria or changing methodologies of ESG ratings providers

The Group has received certain ESG ratings from third parties in the past, and the Group expects that, following the Offering, providers of ESG ratings to the general public, such as Institutional Shareholder Services ("**ISS**"), MSCI Inc. ("**MSCI**") and Sustainalytics GmbH, will publish their own ESG ratings of the Group. Such ESG ratings can affect investor and customer perception of the Group in the market. In addition, the impact of the Group's ESG-related risks and practices, including with respect to various ESG matters in the Group's business, has been and will continue to be independently assessed by non-accredited ratings organizations and various stakeholders in the ESG community. These rating organizations and stakeholders may not view the Group's various ESG policies, achievements and ambitions as being sufficiently transparent or consistent with their performance standards or goals. As a consequence, the Group's reputation could be damaged, in particular if such views were shared in the broader ESG or investor communities. This could, in certain cases, effectively limit the Group's access to capital markets and result in elevated scrutiny regarding the Group's commitment to its ESG principles and standards. Furthermore, negative customer perception of the Group's ESG efforts might reduce demand or willingness of potential customers to pay commercially acceptable prices for the products and services of the Group.

In addition, ESG ratings may vary among the different ESG ratings organizations and are subject to differing methodologies, assumptions and priorities used by such organizations to assess ESG performance and risks. There is no guarantee that the methodology used by any particular ESG rating provider will conform with the expectations or requirements of any particular investor or customer, or any present or future applicable standards, recommendations, criteria, laws, regulations, guidelines or listing rules. ESG rating providers may revise or replace entirely the methodology they apply to derive ESG ratings or they may employ methodologies which are not transparent, any of which could cause confusion among investors and customers. Such methodologies may have difficulties in comparing information on the Group's ESG performance with other industry participants. As a result, ESG ratings of the Group are not necessarily indicative of the Group's past, current or future commitment to, or performance in respect of, ESG topics. Further, ESG ratings may have limited, if any, utility for investors in assessing the Group's past, current or future financial performance.

Because ESG ratings are issued by third parties external to the Group, no assurance can be given that an ESG rating will remain constant for any given period of time or that an ESG rating will not be lowered or withdrawn entirely by the ESG rating provider if, in its judgment, circumstances (either at the Group or otherwise) in the future so warrant. For example, in October of 2021, the Group received a "B-" ESG rating by ISS on a solicited basis but such rating could be revised in the future by ISS for any number of reasons, some of which could be outside of the Group's influence or control. Any negative change, or an indication of a possible negative change, in any ESG ratings of the Group, whether solicited or unsolicited, from time to time could impair or preclude the Group from accessing certain financial markets and products, thereby adversely affecting the Group's liquidity. Furthermore, any negative change, or an indication of a possible negative change, in the

Group's ESG ratings may adversely affect the Group's reputation or reflect operational weaknesses at the Group, including those associated with the Group's pursuit of its sustainability ambitions, its financial condition or its prospects, and investors may also be required or choose to sell their holdings in the Company due to their own ESG investment criteria, which could have a negative impact on the Group's share price and make it more difficult for the Group to access capital markets in the future.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2 Risks Related to the Group's Operations

1.2.1 The Group is subject to the risks associated with its international operations, in particular in China

The Group's vehicles are exported to major markets around the world. As a result, the Group is subject to various risks associated with conducting its business both within and outside its domestic market, including:

- political and economic instability and exposure to potentially undeveloped legal systems;
- unexpected or unfavorable changes in foreign laws, regulatory requirements and related interpretations;
- difficulties managing different and sometimes contradictory automotive industry-related laws and regulations in many jurisdictions concerning, among other matters, vehicle emissions, vehicle fuel economy, energy security, vehicle safety, autonomous driving, cybersecurity and environmental concerns;
- difficulties in attracting and retaining locally qualified management and employees; staffing challenges, including works councils, labor unions and immigration laws;
- exposure to economic sanctions laws and regulations, trade barriers, local content requirements and import and export licensing requirements;
- logistical and communications difficulties;
- requirements to expend a portion of funds locally and governmental industrial cooperation requirements;
- expropriation, coups, increased risk of fraud (*e.g.*, by employees or suppliers) and political corruption, human rights abuses, terrorism, or acts of war;
- geopolitical tensions in hot spots around the world, including eastern Asia;
- exposure to local public health issues and the resulting impact on economic conditions;
- the impacts of climate change, including the increased frequency or severity of natural disasters;
- the complexity of managing competing and overlapping tax regimes, including regulations relating to transfer pricing and withholding and other taxes on payments to or from subsidiaries;
- foreign currency exchange rate fluctuations and currency controls;
- greater risk of uncontrollable accounts and longer collection cycles;
- risks relating to cross-border financing or collateralization for Group companies;
- the risk of government-sponsored competition; and
- controls on the repatriation of cash.

As China is a key market for the Group, the Group's ability to successfully maintain and expand its business operations in China depends on a number of factors, including macroeconomic, other market conditions and political factors. The Group may be adversely affected by the complexity, uncertainties and changes in Chinese regulations on automotive businesses and companies as well as information-sharing, cybersecurity and Internet-related matters. In addition, the Group is required to maintain a wide range of government approvals, licenses, permits and registrations in connection with the Group's sales and marketing activities in China and, given the uncertainties with respect to the regulatory environment, there is a risk that the Group will not be able to obtain or maintain all the permits, licenses, registrations and approvals required for its business. The Group's operations could also be affected by intervention by the Chinese government relating to, for example, information-sharing and cybersecurity matters. The risk of such interventions could be heightened in connection with the contemplated admission to trading of the Preferred Shares of the Group and could result in prohibitions of the sale and/or marketing of certain products.

For example, the Cyberspace Administration of China (the "**CAC**") promulgated the final form of the Cybersecurity Review Measures (the "**CRM**") relating to cybersecurity review procedures under the cybersecurity laws of China, including a requirement that operators (including both operators of critical information infrastructure and relevant parties who are engaged in data processing) file for cybersecurity review with the Cybersecurity Review Office of China (the "**CRO**") if the purchasing of network products and services or carrying out data processing activities will or may affect national security. Specifically, the CRM requires online platform operators in China which hold more than one million users' personal information and plan to list on a stock exchange in a foreign jurisdiction to apply for a cybersecurity review. Moreover, under the CRM, the CRO can initiate cybersecurity review in certain situations, for example, if the CRO believes a network product or service, or data processing activity, impacts or might impact Chinese national security. In addition, the CAC promulgated the final form of the Outbound Data Transfer Security Assessment Measures ("**Outbound Transfer Measures**") on July 7, 2022 (with effect from September 1, 2022) to regulate the transfer of data from China to other jurisdictions, including requiring a government-led security assessment of exports from China of certain types and volumes of data. The Group expects it may fall within the scope of the Outbound Transfer Measures. While the type and amount of data held by the Group would suggest that this aspect of the CRM should not apply to the Group, it is difficult to predict the relevant regulators' interpretation of the CRM or its impact or whether those regulators may in the future broaden the scope of data the transfer of which is restricted under the Outbound Transfer Measures. As a result, there is uncertainty with respect to whether these rules may have an impact on the Group's business, assets, results of operations, financial condition and prospects.

Furthermore, proposals for certain changes to political, economic and social conditions as well as laws and policies in China have been presented. For example, the CAC issued the Personal Information Export Standard Contract ("**Standard Contract**"), together with the Standard Contract Provisions ("**Provisions**"), on June 30, 2022 for a public consultation which could (although subject to change before the Standard Contract and the Provisions are finalized) impact the Group's internal assessment and other compliance obligations in China in relation to both the transfer of personal information from China and receipt of that data as an overseas recipient, with the Group in each case being subject to the supervision of the Chinese regulatory authorities. Furthermore, in China, regulations on certain aspects of the vehicle industry such as intelligent vehicles, autonomous driving and vehicle data safety are still under consideration, and there is thus uncertainty with respect to the future Chinese regulatory landscape. The result of any changes in the regulatory environment in China is unpredictable and presents a significant risk to the Group's Chinese sales and marketing activities.

The administrative and court authorities in China have certain discretion in interpreting and implementing statutory terms. Thus, it may be more difficult for the Group to evaluate the outcome of administrative and court proceedings in China, should they arise. In addition, the Group is exposed to the risk of restrictions on the repatriation of cash from China, which may impact its ability to repatriate dividends from its subsidiaries in China.

Furthermore, the Group was and continues to be negatively impacted by the Russia-Ukraine Conflict. See "*1.1.2 The Russia-Ukraine Conflict and the sanctions imposed by numerous countries and multinational entities in response, as well as countermeasures by Russia, have had, and may continue to have, adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies and the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations*". The Group has also been negatively impacted by the Covid-19 pandemic, particularly in China, the Group's largest single market. See "*1.1.7 The Covid-19 pandemic has negatively affected the Group and remains a risk to the global economy and to the Group's business, assets, results of operations, financial condition and prospects*".

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.2 The Group is exposed to various operational risks in connection with the use of information technology

The Group is exposed to various operational risks resulting from the use of information technology ("**IT**"), including inadequate or failed internal IT processes, acts by malicious third parties, human error, problems with third-party software applications upon which the Group relies, systems failures or external events. These risks include, but are not limited to, losses caused by a lack of controls within internal IT procedures, violation of IT policies by employees, disruption or malfunction of IT systems, issues with migrating between cloud solutions, mechanical or equipment failures, as well as security breaches, whether affecting the systems of the Group or third-party providers.

The Group relies heavily on information technology systems and networks to support the entire value chain, including customer touchpoints, digital products and services. As the level of digitalization of both the Group's products and services has increased and continues to increase, the importance and complexity of the Group's information technology systems increase as well. In particular, as the Group's vehicles are designed with more connective features, the risk of unauthorized access to the vehicles' systems may increase (see "*1.2.3 Any unauthorized control, manipulation or failure of the in-vehicle systems of the Group's cars could impact the safety of the Group's customers and negatively impact the Porsche brand*"). The consistent, efficient and secure operation of the Group's IT systems is therefore critical to the successful performance of its business along the entire value chain. Moreover, the growing need for digitalization has required and is expected to continue to require that the Group further develops its models for steering, organization and cooperation within the Group and maintains strong internal and external partnerships, while maintaining the ability to adapt to further developments. The increasing need for digital solutions may also lead to a decrease in internal value creation.

Despite IT maintenance and security measures, the Group's IT systems and networks (and those of the third-party vendors and service providers it relies on) are exposed to the risk of malfunctions and interruptions from a variety of sources, including unauthorized access, cyber-attacks, equipment damage, power outages, computer viruses and a range of other hardware, software and network problems. Recently, ransomware attacks, in which malware from crypto-virology threatens to block access to systems and data via encryption unless a ransom is paid to the attacker, have been on the rise and have caused a number of companies to suspend operations and pay ransoms. Such attacks have affected certain of the Group's suppliers, for instance, leading to delayed deliveries of parts and components to the Group. The risk of cybersecurity attacks may also be heightened as a result of the Russia-Ukraine Conflict. The occurrence of any system malfunction, attack or failure could result in the loss or corruption of data and interruptions in the availability of systems. In addition, the implementation of new digitalization initiatives or the migration to new enterprise resource planning ("**ERP**") and other systems carries the risk of errors and malfunctions. For example, the Group currently plans to migrate to a new generation of ERP software, with completion of this migration for the Group's finance and procurement business areas in particular targeted for the first quarter of 2023. As a result of this or other initiatives, the Group may encounter data migration or other errors, which could result in the loss of important data, interruptions, delays or cessations in the availability of the Group's systems.

The Group is implementing more stringent layers of security measures to protect the confidentiality, integrity and availability of its IT systems and the data stored on them. Those controls already implemented are monitored and routinely tested. Despite these efforts, the Group and its vendors have been the target of cybersecurity attacks and remain subject to the threat of cybersecurity incidents that could have a security impact. Any future cyber incidents could materially disrupt operational systems, result in loss of trade secrets or other proprietary or competitively sensitive information, compromise personally identifiable information regarding customers, suppliers or employees, delay the Group's ability to deliver products and services to customers, or jeopardize the security of its facilities and the safety of the Group's products.

In particular, the Group is in the process of expanding its Business Continuity Management IT systems ("**BCMS**") so that they protect not only production-related IT systems at the Group's Zuffenhausen data center, as is currently the case, but also non-production-related IT systems. The Group believes that this expansion, once complete, will provide more comprehensive protection to the Group's IT systems against potential downtimes which could occur as a result of fire, extreme flooding, disruptions to cloud services or ransomware or other cyber-attacks on the Group's servers or similar disruptive events. The expansion of the BCMS will occur in several stages over several months, with completion expected in 2026. There can be no assurance that the expansion will be completed on schedule, however, as unforeseen problems and delays could emerge. Until such time as the expansion is complete, the Group's non-production-related IT systems will continue to be at a comparatively greater risk of significant downtime than the Group's production-side IT systems should disruptive events occur. If any of the Group's non-production-related IT systems or (despite the existing BCMS protections) its production-related IT systems were to face significant downtime, the Group could lose data stored in, and access to, these systems until the underlying issue is resolved. Such an event could materially impair the Group's business operations and the Group could face significant financial or structural damage as a result.

1.2.3 Any unauthorized control, manipulation or failure of the in-vehicle systems of the Group's cars could impact the safety of the Group's customers and negatively impact the Porsche brand

The Group's vehicles contain increasingly complex IT systems with more connective features, including those relying on Bluetooth, Wi-Fi and cellular data networks. This trend is likely to continue, particularly as Electrified Vehicles, which are generally more reliant on software than ICEs, and autonomous driving technology and OTA software updates become more widespread. These systems often control various vehicle functions, including mechanical aspects like the engine, transmission, steering, accelerator and brakes, as well as a vehicle's safety features, embedded navigation services and window and door locking functions, among others. Third parties have reportedly attempted, and may attempt in the future, to gain unauthorized access to such systems in an attempt to modify, alter or gain control of vehicles' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the vehicle. In addition, the sheer complexity of these systems may increase the likelihood of failures due to undiscovered software flaws or other malfunctions.

Any unauthorized access to or control of the Group's vehicles or their systems or any loss of data, or undiscovered software flaws or other malfunctions, could impact the safety of the Group's customers and the security of their private data and negatively impact the Porsche brand. Such events could result in legal claims or administrative proceedings against or regulatory penalties being imposed on the Group, including in connection with data protection laws (see "*1.2.4 The Group is exposed to privacy, data and internet related risks, including data breaches and costs related to complying with applicable regulations*"). In addition, regardless of their veracity, reports of unauthorized access to Porsche vehicles, their systems or data could negatively affect the Porsche brand, and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.4 The Group is exposed to privacy, data and internet related risks, including data breaches and costs related to complying with applicable regulations

Most of the Group's newer vehicles, and likely all of the Group's vehicles in the near future, are and will be designed with data connectivity features. Use of these features may result in the Group's vehicles collecting, processing, transferring and retaining personal information, including sensitive personal information. Furthermore, vehicle safety systems, such as in-car driver alertness monitoring, increasingly require vehicles to collect and process biometric personal data. In addition, as part of the Group's general operations, the Group and its affiliates and business partners collect and otherwise make use of sensitive personal and business information, such as personally identifiable information of customers, employees, partners and suppliers. The volume and complexity of the data electronically processed by the Group continue to increase, including as the Group's vehicles are increasingly digitalized.

Accordingly, the Group and its business partners are subject, in the various jurisdictions and markets where they operate, to data privacy and other data-related laws and regulations and corresponding security protocols with respect to the use, transfer and disclosure of sensitive data, including personal and business data. Such laws and regulations have become increasingly comprehensive and strict. For example, the Group is subject to the European Union's General Data Protection Regulation (EU) 2016/679 ("**GDPR**"), which imposes stringent requirements for data processing and accountability, processor (service provider) obligations and international data transfers, along with a requirement to designate a data protection officer. In addition to the already existing laws, a substantial number of new laws and regulations related to personal and non-personal data in various contexts have been passed recently or are on the horizon, such as the legal initiatives of the EU Commission that are part of the EU digital strategy, and the German Telecommunications and Telemedia Data Protection Act.

The Group is also subject to the requirements of U.S. federal and state laws and regulations on data privacy that are complex, sometimes inconsistent, and developing rapidly. Each state now has its own unique law relating to notification requirements in the event of a data breach, making it very costly and complex to respond to a data breach in the U.S. In addition, a growing number of state legislatures in the U.S. have adopted legislation that regulates how businesses operate online, including measures relating to privacy and data subject rights, and compliance with this ever-growing patchwork of overlapping laws is becoming more difficult and more costly. Further, China, the Group's single largest market, implemented in September and November of 2021, respectively, a data security law and a personal information protection law, which, together with other provisions, regulate the processing of personal information as well as data used in the design, manufacturing, sale, use, operation and maintenance of vehicles in China. The exact impact of these laws on the Group is currently unclear due to the relative recency of their passing, but the Group could be restricted in its ability to transmit data collected in China to Group operations in Europe. See also "*1.2.1 The Group is subject to the risks associated with its international operations, in particular in China*". Other jurisdictions, some of which the Group is active in, are considering similar laws and regulations, and the extent of and the impact on the Group of these laws and regulations remain uncertain.

While the Group has systems and processes in place to ensure compliance with these regulations, it cannot be ruled out that the confidentiality of sensitive data and information will be breached, as a result of cybersecurity attacks or otherwise, or that doubts will arise regarding the security of the data and information collected and managed by the Group. If the Group fails to adequately safeguard confidential, personal or other sensitive data, or if such data is wrongfully used by the Group, its employees or third parties, or disclosed to unauthorized persons, this could result in claims for damages and other liabilities, significant fines and other penalties. For example, violation of the GDPR can result in significant sanctions including administrative fines of EUR 20 million or up to 4% of the Group's global turnover, whichever is higher, for each infraction. In addition, the GDPR grants individual data subjects the right to claim damages for violations of their rights under the GDPR. Class action lawsuits for GDPR violations could also increase this risk.

Further, the Group is exposed to the risk of increased compliance costs as a result of heightened scrutiny, regulatory amendments or novel interpretations of current regulations and stricter enforcement by authorities globally. For example, the European Court of Justice in a July of 2020 judgment (Schrems II) annulled the EU-U.S. Privacy Shield as the basis for the transfer of personal data from the EU to the United States and stipulated at the same time the additional requirement to perform, in certain cases, data transfer impact assessments before transferring personal data outside the European Economic Area. The Group's review of its data transfers to third countries, including steps to ensure compliance, is still ongoing. Considering current legislative trends and the increasing scope and complexity of data privacy and other data-related regulations worldwide, the Group may have to invest significant resources into further compliance measures, including potential costs for adapting or further developing products and processes.

A violation of applicable regulations could lead to the imposition of penalties, fines, damages, recalls, restrictions on or revocations of the Group's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences. See also "*1.2.2 The Group is exposed to various operational risks in connection with the use of information technology*".

1.2.5 The Group may not be able to adjust its production capacity in line with demand for its products

The Group plans its production capacity for its vehicles several years in advance on the basis of expected sales developments. Although many of the Group's products are made-to-order, demand for vehicles is a function of a wide range of factors, including market cyclicality, consumer preference and other dynamics, and cannot be estimated with any certainty. In particular, the ongoing transition in the automotive industry away from ICEs to BEVs makes it more difficult to properly forecast the future sales mix of BEVs, hybrid vehicles and ICEs, which increases the risk of the Group's production planning. As such, as the Group expands the range of its Electrified Vehicle offerings, the risks related to production planning also increase.

If the Group overestimates demand for its products, there is a risk that available capacity will be underutilized, while pessimistic forecasts could result in insufficient capacity to meet demand. Lower than planned capacity utilization results in lower returns on the capital invested in building such capacity and in reduced profit margins, whereas insufficient capacity could result in lost business, customer dissatisfaction and the Group having to remove lower margin vehicles from the market. This requires the Group to continuously adjust production capacity. Neither the Group nor its key suppliers may be able to adjust production capacity sufficiently and in the timeframe required if demand fluctuates beyond their organizational and technical flexibility. For example, in parallel with a strong rebound in demand for its vehicles in 2021, the Group also experienced significant supplier delays in the delivery of semiconductors and other components, which prevented the Group from maintaining sufficient production utilization levels to completely satisfy demand and required it to optimize production by, for example, prioritizing products with higher profit margins. On the other hand, continued strong demand, somewhat of an easing of supply shortages and the complexity of preparing the Stuttgart-Zuffenhausen site for the planned BEV models of the 718 have led the Group to move production of remaining ICE 718 models to the Volkswagen Group's multi-brand production facility in Osnabrück, Germany, with production planned to begin from the middle of 2023. Further, the Group's current capacity for Taycan units at the Stuttgart-Zuffenhausen site, approximately 46,000 units, is not significantly above the number of Taycan models the Group delivered in 2021.

In addition, the Group may not be able to adjust production capacity as planned for political, regulatory or legal reasons, such as employment laws that limit the Group's ability to adjust the size of its workforce in certain jurisdictions, such as Germany, where the Group maintains a significant portion of its production capacity (see also "*1.2.6 The Group is dependent on good relationships with its employees, their labor unions and employee representative bodies and stakeholders and is party to a number of collective agreements, some of which impose obligations and restrictions on the Group in connection with reorganizations, restructurings or similar corporate actions, and the Group may not be able to extend, renew or replace collective agreements in a* *favorable or timely manner or on terms and conditions that the Group considers to be reasonable*"). The ongoing transition in the automotive industry from traditional combustion engines to, among other technologies, BEVs, is also likely to require fewer employees than previously due to the reduced number of individually machined components in BEVs.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.6 The Group is dependent on good relationships with its employees, their labor unions and employee representative bodies and stakeholders and is party to a number of collective agreements, some of which impose obligations and restrictions on the Group in connection with reorganizations, restructurings or similar corporate actions, and the Group may not be able to extend, renew or replace collective agreements in a favorable or timely manner or on terms and conditions that the Group considers to be reasonable

The Group needs to comply with several employment-related laws and regulations with various levels of employee protection in several jurisdictions and it is dependent on good relationships with its employees, labor unions, employee representative bodies such as works councils (*Betriebsräte*) and other stakeholders to successfully operate its business. Personnel expenses make up a significant portion of the Group's costs and the Group is obligated to comply with various collective agreements, such as collective bargaining agreements and works agreements that are in place with labor unions as well as works councils and other employee representative bodies and which cover a broad range of basic employment terms and conditions and provide for protections for the Group's workforce. Employees at the Group's locations in Germany as well as at some other foreign subsidiaries have traditionally been heavily unionized and members of the Group regularly conduct, or are involved in or affected by, negotiations with the relevant unions and employee representative bodies.

It may not be possible to extend or renew existing collective agreements or conclude new collective agreements in a favorable and timely manner or on terms and conditions that the Group considers to be reasonable. Moreover, any deterioration of the relationships with labor unions, works councils and other employee representative bodies could adversely impact the Group's business operations. The Group could face strikes or other types of conflicts with labor unions, works councils or its employees in the future as it has experienced in past years (most recently between March and May of 2021 when the Leipzig site faced works stoppages for a couple of days), which could disrupt the Group's production and sales activities, damage its reputation and adversely affect its customer relations. For example, the collective wage agreements applicable at the Company, entered into between the Employers' Association of the Metal and Electrical Industry of Baden-Württemberg e. V. (*Südwestmetall—Verband der Metall- und Elektroindustrie Baden-Württemberg e. V.*) and the trade union IG Metall, will expire on September 30, 2022 and negotiations on new wages and salary increases are expected to commence during September of 2022. If no agreement on new wages can be found by the end of October of 2022, work stoppages, strikes or similar industrial action might take place at the Group's facilities or at the facilities of its suppliers and service providers.

Additionally, the Group may become subject to new or amended collective agreements, such as collective bargaining agreements on wages and working time, or may fail to negotiate wages and other key employment conditions that are reasonable and fair from the Group's perspective, both of which could increase the Group's operating costs. The Group's competitors may also obtain competitive advantages compared to the Group if they succeed in negotiating collective wage agreements or other collective agreements on more favorable terms and conditions than applicable to the Group. Foreign competitors in particular may possess competitive advantages compared to the Group due to fewer and less restrictive collective and similar agreements and more flexible legal environments, especially with regard to minimum labor conditions, redundancies and other restructurings or reorganizations.

A number of applicable collective agreements also impose certain obligations and restrictions on the Group that may adversely affect its flexibility to undertake adjustments to its workforce, to reduce its labor costs and to implement restructurings, reorganizations or similar corporate actions. For example, a general works agreement on comprehensive site guarantees with exclusions of dismissals for operational reasons and several investment reasons and several investment and development commitments (General Works Agreement "Tradition. Transformation. Future" for Site Safeguarding 2020 (*Gesamtbetriebsvereinbarung "Tradition.Transformation.Zukunft" zur Standortsicherung 2020*)) is in place at the Company, under which the Company undertakes not to terminate any employment agreements with permanent employees for operational reasons until July 31, 2030. Furthermore, a large number of German affiliates and retail dealerships (*Niederlassungen*) of the Company (including, among others, Porsche Werkzeugbau GmbH, Porsche Niederlassung Berlin GmbH, Porsche Niederlassung Berlin-Potsdam GmbH, Porsche Niederlassung Hamburg

GmbH, Porsche Niederlassung Stuttgart GmbH, Porsche Leipzig GmbH, Porsche Deutschland GmbH, Porsche Engineering Group GmbH, Porsche Engineering Services GmbH, Porsche Financial Services GmbH) are bound by works agreements with their respective works councils which, *inter alia*, exclude dismissals for operational reasons until December 31, 2023 (Porsche Werkzeugbau GmbH), December 31, 2025 (Porsche Niederlassung Berlin GmbH, Porsche Niederlassung Berlin-Potsdam GmbH, Porsche Niederlassung Hamburg GmbH, Porsche Niederlassung Stuttgart GmbH) and July 31, 2030 (Porsche AG, Porsche Leipzig GmbH, Porsche Deutschland GmbH, Porsche Engineering Group GmbH, Porsche Engineering Services GmbH, Porsche Financial Services GmbH), respectively. The Group estimates that, in addition to the protections which its employees generally have under statutory employment laws, approximately 27,000 of the Group's permanent employees in Germany enjoy such special protection against dismissal under collective agreements.

Other provisions of the collective agreements that could have similar restrictive effects include, among others, commitments to offer certain contingents of fixed-term employees permanent employment, obligations to hire fixed contingents of apprentices per year and to subsequently offer them permanent employment, commitments to develop and expand certain business areas, as well as commitments to produce certain products at the Stuttgart and Leipzig sites and an obligation to consult with the works council before concluding contracts with external service providers.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.7 The Group's long-term success depends on attracting, developing, retaining and replacing highly qualified managerial staff and skilled personnel

The Group's success depends substantially on its ability to attract, hire, train, retain and replace experienced management and personnel. The Group's management team has substantial expertise and industry experience and the loss of key members of management could adversely affect the Group's ability to implement its strategic objectives. Further, the Group is also dependent on personnel that are highly skilled and qualified in vehicle and electrical systems design, mechanical and electrical engineering, information technology, programming/software design and other specialist fields. The Group's success in attracting and retaining such personnel depends on a variety of factors, including its compensation and benefit programs, work environment, working culture and leadership, career development opportunities, commitment to diversity and public image.

Competition for qualified personnel worldwide is increasing, particularly in the area of vehicle engineering and research and development and is especially intense in the areas of zero emissions technologies, software and hardware engineering and data science in products, services and production, among other technology areas driving the transformation of the automotive industry towards digitalization and alternative powertrains. The Group itself increasingly requires such personnel to address the increasing demand by costumers, particularly younger customers, for highly technologically developed and connected vehicles as well as in connection with its transformation towards Electrified Vehicles, which requires personnel qualified in sophisticated electrical and charging systems. The Group may not be successful in attracting, developing, retaining and replacing experienced management and skilled personnel and any failure to do so could have a material adverse effect on its business, assets, results of operations, financial condition and prospects.

1.2.8 Interest rate and currency exchange rate fluctuations could adversely impact the Group's results of operations

The Group operates worldwide and is therefore exposed to market risks stemming from fluctuations in interest rates and currency exchange rates. A substantial portion of the Group's liabilities, sales revenue and costs is denominated in currencies other than the Euro, the Group's reporting currency, as a result of its operating activities, investments and financing operations in countries with currencies other than the Euro. Accordingly, the Group is subject to transactional foreign currency exchange risk, which arises when costs are incurred or revenues are generated in a currency other than the functional currency. The Group's most significant transactional exposures are EUR-CNY (Chinese Renminbi), EUR-USD and EUR-GBP (British Pound).

The Group generally relies on financial derivatives to protect itself against the transactional foreign currency exchange rate risks to which it is exposed. The Group utilizes natural hedging, which involves currency exposures of the sourcing of certain raw materials, commodities and parts partially offsetting currency exposures from sales revenue, to a lesser extent. Currency risks from future sales revenue denominated in foreign currencies are hedged through the use of exchange rate hedging instruments. The main hedging instruments used are forward exchange transactions and currency options. In addition, the Group applies currency-matched funding in principle whenever possible in order to denominate external borrowings in the same currencies as the financing needs of the operative units. Such measures may not, however, effectively manage such risks or offset the adverse financial impact resulting from exchange rate variations, which could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

The Group is also impacted by foreign currency fluctuations in respect of currency translation for the purposes of preparing its consolidated financial statements. Translational effects of exchange rate fluctuations arise because the income and expenses, assets and liabilities of the Company's subsidiaries are measured in the currency of the primary economic environment in which the relevant subsidiary operates (its functional currency). The results of operations of a number of the Company's global subsidiaries located outside of the Eurozone are measured in currencies other than the Euro and are then converted into Euro for presentation in the Group's consolidated financial statements. Consequently, period-to-period changes in the applicable average foreign currency exchange rates may impact, among other things, Group sales revenue and segment results, while period-to-period changes in the applicable closing rate may impact, among other things, assets, even if in all cases their value has not changed in their local functional currency.

As the Group has interest-bearing assets and liabilities, it also employs interest-rate sensitive financial instruments such as interest rate hedges and cross-currency interest rate swaps in order to manage the interest rate risk of its business operations. Most of these financial instruments are held as a result of a substantial volume of the Group's interest-sensitive assets and liabilities relating to its Financial Services segment, which includes financing and leasing for customers and dealers as well as mobility offerings and other financial services. As a consequence, any rise in interest rates exposes the Group to increased borrowing costs.

1.2.9 The Group is exposed to risks associated with its dealers, distributors and importers, particularly risks arising out of their independent nature, as well as disruptions to the Group's distribution channels

In most jurisdictions, the Group's cars are sold in a wholesale transaction to independent vehicle dealers, distributors and importers ("**Authorized Dealers**") who then distribute and sell to eventual purchasers, with the Group maintaining a network of more than 850 Authorized Dealers while only directly owning approximately 30 dealerships in 10 markets as of July 31, 2022 and acting as a distributor/importer in major markets. While the Group monitors and supports its Authorized Dealers in order for them to perform to the Group's expectations and act in accordance with the high level of quality and professionalism associated with the Porsche brand, the Group cannot exercise complete control over them or their sales activities. As such, there can be no assurance that the Group's expectations will be met and that the Group's and its Authorized Dealers' interests will be aligned. Any under-performance or unprofessional conduct by the Group's Authorized Dealers could adversely impact the Group's sales, results of operations and reputation. In cases of significant under-performance, unprofessional conduct or other acts by Authorized Dealers unfavorable to the Group, the Group may have to terminate its agreements with the relevant parties, which could lead to claims against the Group by the affected parties. Depending on local legal considerations, termination of certain contracts may be difficult for the Group to achieve.

Due to its reliance on Authorized Dealers for a significant majority of its business volume, the Group is also exposed to the risk of disruptions in its distribution network in connection with financial instability or insolvency of important Authorized Dealers, a risk that may become acute during financial downturns or crises. If Authorized Dealers encounter financial difficulties and the Group's products and services cannot be sold or can only be sold in limited numbers, such as was experienced during the outbreak of the Covid-19 pandemic and the major Covid-19 pandemic-related lockdowns seen in China in 2022, the Group might have to take costly support measures to ensure the operation of potentially failing business partners. In certain cases (*e.g.*, the lockdowns in China), the ability of the Group to implement these support measures may also be restricted or prohibited by government regulations or may be unable to take effect due to external limitations on business activities. Furthermore, the loss of strategically important Authorized Dealers could result in the Group's inability to fully serve consumer demand and lower unit sales, as well as costs related to contract cancellations. At the same time, support measures to safeguard such distributors could result in significant costs and operational challenges.

A further risk relating to the Group's reliance on its Authorized Dealers arises from the Group's ongoing plan to implement new contractual arrangements with its Authorized Dealers whereby they would be entitled to lower margins on sales of the Group's vehicles than they are entitled to under existing contractual arrangements. The Group's approach to implementing the adjusted margin arrangements varies by jurisdiction in accordance with local legal considerations, and in some jurisdictions requires the termination of existing contracts and entry into new contracts. The Group plans to have the new margin arrangements in place by early 2025. It cannot be ruled out, however, that certain Authorized Dealers may reject the new contractual arrangements or make legal claims or take similar action against the Group. In addition, the performance of certain Authorized Dealers could suffer if they no longer perceive their financial incentives to be adequate as a result of the new arrangements.

The occurrence of any of the above events could have a material adverse effect on the Group's reputation as well as its business, assets, results of operations, financial condition and prospects.

1.3 Legal, regulatory and tax risks

1.3.1 New, existing or changes to existing vehicle emissions and climate change related laws and regulations could result in substantial costs for the Group and have a significant effect on how the Group operates its business, and the Group may not be able to develop commercially viable vehicles that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products

The Group's vehicles are subject to an increasingly broad range of increasingly strict and at times conflicting environmental laws and regulations around the world, *e.g.*, regulations addressing vehicle emissions and climate change. Such laws and regulations may be unclear at times or change unexpectedly, leading to uncertainty and planning challenges for automotive manufacturers. Compliance with such regulations can be costly, and the Group may not be able to adapt its product portfolio to these requirements in a commercially viable manner.

In the European Union, the Group's vehicles are subject to a range of vehicle-specific emissions regulations, including those on limited emissions under Regulation (EC) No. 715/2007 as amended by Regulation (EU) No. 459/2012 ("**Euro 6**"). Euro 6 came into force for passenger cars in 2014, with several stages phased in over several of the following years, and regulates emissions of carbon monoxide, hydrocarbons, nitrogen oxides ("**NOx**") and particulates, as well as evaporative emissions and on-board-diagnostics requirements. Euro 6 imposed, among other things, a NOx emissions reduction of 56% as compared to the predecessor Euro 5 for diesel vehicles, and reaffirmed the carbon monoxide emissions limits of 1.0 g/km for gasoline vehicles and 0.5 g/km for diesel vehicles. Testing requirements were first stipulated by Regulation (EC) No. 692/2008 using the New European Driving Cycle ("**NEDC**") methods which were replaced by Regulation (EU) 2017/1151 using the methods of the Worldwide Harmonized Light Vehicles Test Procedure ("**WLTP**"). The European Union has further introduced requirements on Real Driving Emissions ("**RDE**") testing, with NOx and particulate emission limits having to be fulfilled not only by WLTP dynamometer testing, but also by real road traffic standards based on certain boundary conditions. In the context of the European Green Deal, the European Commission currently plans to impose stricter standards on emissions of NOx, carbon monoxide and other air pollutants through the Euro 7 regulation, which is expected to come into force in 2025. Further, the EU is expected to tighten the margins of error in RDE tests, with such changes coming into effect in stages from 2023.

Further European Union emissions regulations include Regulation (EU) No 2019/631 on CO_2 performance standards, which has been in force since 2019, replacing Regulation (EC) No. 443/2009 on the same subject. This Regulation superseded prior obligations and imposed, among other things, a new requirement that the average emissions of European passenger car fleets be no higher than 95g of CO_2/km, which came into force in 2020. These targets will be tightened from 2025, with a further 15% reduction in CO_2 emissions required, and then a further reduction of 37.5% by 2030 (as compared to 2021 levels). Penalties for non-compliance can be significant, principally the imposition of an excess emissions premium of EUR 95 per excess gram of CO_2 per newly registered vehicle.

For EU CO_2 fleet emissions targets, the Group chooses to participate in CO_2 emission pools, rather than being assessed on an individual basis. As a member of a CO_2 emission pool, the Group (as well as each other member of the pool) is deemed to have met its CO_2 emissions targets if the average emissions of the pool as a whole do not exceed the specific relevant emissions target applicable to the pool. For example, in the EU the Group participates in a CO_2 emission pool with other members of the Volkswagen Group as well as other third-party manufacturers.

As a result of the European Green Deal, in which the European Commission announced a target of reducing CO_2 emissions in the EU by at least 55% by 2030 as compared to 1990 levels, the EU regulation of fleet emissions is currently under review, and there is a risk that this could lead to even more stringent requirements for CO_2 emissions. In particular, the European Commission proposed, and the European Parliament and the

Council of the European Union voted in June of 2022 in favor of, tightening target values regarding vehicle fleet CO_2 emissions, which targets are expected to become binding law in the middle of 2023. The new targets foresee a reduction of fleet CO_2 emissions by 55% in 2030 (rather than the above-mentioned target of 37.5%) and a reduction by 100% in 2035 (in both cases as compared to 2021 levels). As a next step, the Council, the European Commission and the European Parliament will enter into negotiations to reach an agreement on the final legal texts. The 100% reduction target is viewed as resulting in a de-facto ban on the sale of new passenger vehicles with combustion engines from 2035. It is currently entirely unclear whether the introduction of so-called e-fuels will allow the continued sale of new passenger vehicles with combustion engines after 2035. Should this not be the case, all new passenger cars, including those of the Group, to be marketed in the EU would need to be free of exhaust-based CO_2 emissions by 2035 at the latest.

Similarly, the U.S. Environmental Protection Agency (the "**EPA**") and the U.S. Department of Transportation introduced standards for fuel economy and greenhouse gas ("**GHG**") emission levels for both engines and vehicles starting with model year 2014. In December of 2021, the EPA finalized revised GHG emissions regulations for model years 2023-2026. These regulations require, among other things, 27.1% and 28.3% reductions in GHG emissions in passenger cars and light duty trucks (including large crossovers and SUVs), respectively, by 2026. The EPA's current so-called TIER 3 tailpipe and evaporative emission standards were phased-in with the 2017 model year along with new fuel standards. In addition, the EPA is expected to propose a comprehensive set of standards for multi-pollutant emissions for greenhouse gases and criteria pollutants (the "**EPA TIER 4 MY27**" standards) for, among others, the light-duty vehicle sector. The standards are expected to begin with model year 2027 vehicles, with levels set at least through model year 2030.

In addition to regulations promulgated at the federal level, the Group's vehicles are subject to regulations imposed by individual U.S. states. The California Air Resources Board ("**CARB**"), for example, has imposed emission requirements which are often stricter than those imposed by the EPA. Concerning pollutants, CARB's existing LEV III regulation sets tailpipe and evaporative emission standards until model year 2025, with LEV-IV regulations coming into force for model year 2026. As a part of these regulations, CARB has also imposed requirements (known as PZEV Anti-Backsliding Requirements) on manufacturers to sell and deliver a minimum percentage of vehicles conforming to super ultra-low emission vehicle standards. As part of the proposed Advanced Clean Cars II regulations, CARB is currently developing various "**LEV IV**" emissions standards as well as stricter zero emission vehicle ("**ZEV**") regulations to mandate that all in-state sales of new passenger vehicles are ZEVs by 2035 (with a constantly rising requirement of ZEV share from and including 2026) and set new durability, data standardization, warranty and in-use requirements for ZEVs. Other U.S. states have implemented or are currently considering whether to implement regulations similar to those of California, and such regulations could eventually be adopted by the EPA.

Further, the Group is committed to the Corporate Average Fuel Economy ("**CAFE**") standards administered by the U.S. National Highway Traffic Safety Administration (the "**NHTSA**"). In March of 2022, the NHTSA promulgated updates to the CAFE regulations targeting an 8% increase in fuel economy for model year 2024 and 2025 vehicles, as well as a 10% increase for model year 2026 vehicles. Moreover, CARB and the Volkswagen Group have agreed to a set of terms for light duty GHG emission standards for model year 2021 to model year 2026, insofar replacing CARB's generally applicable LEV CO_2 fleet emissions requirements.

For criteria pollutants and CO_2 fleet emissions targets in the United States, the Group participates in an emission pool with other members of the Volkswagen Group. However, there can be no assurance that the Group, where applicable, may be able to continue to participate in such emission pools or, should the need arise, join a replacement emission pool on substantially similar terms.

In China, the Group's single largest market, regulations are similarly strict and becoming more so, with an average fleet fuel efficiency target of 4.6 liters/100km (WLTP) for the period from 2021 to 2025. A new energy vehicle ("**NEV**") quota has also been put into effect, with manufacturers being required to increase the NEV quota from 16% in 2022 to 18% in 2023, at which point new requirements may be applied. Further, the current so-called China 6 emissions regulations are among the strictest in the world, with even stricter regulations expected to come into force on July 1, 2023. Moreover, Chinese regulators plan to revise certain regulations containing the specifications for the single vehicle electrical consumption limit of BEVs. This regulation could be mandatory in 2025. Failure to meet these requirements could result in, among other penalties, prohibitions on importing vehicles into China.

Although the Group may in certain cases be able to offset negative credit balances by buying offset credits in order to meet the requirements of the above obligations, there can be no assurance that it will be able to continue to do so in the future or that it will be able to do so without significant financial impact. Further, the costs associated with such offset credits may also increase in the future as competition for them increases.

A failure to meet the above regulations could lead to, among other sanctions, financial penalties. For example, in H1 2022, H1 2021, 2021, 2020 and 2019, the Group's operating profit was affected by non-compliance with CO_2 and other emissions requirements in the amounts of EUR 62 million, EUR 67 million, EUR 164 million, EUR 95 million and EUR 43 million, respectively.

Many localities in jurisdictions where the Group is active have also implemented regulations attempting to decrease pollution and congestion and ultimately the environmental impact of automobiles, primarily in densely packed urban areas such as major cities, by restricting the ability to drive automobiles into these areas. These regulations range from complete prohibitions to levying fines on drivers. Specific powertrains may also be prohibited, such as recent bans on diesel vehicles not fulfilling the latest limited emission standards in several large German cities, and there is a risk that such bans could be extended to include other ICE or even Electrified Vehicle powertrains (due for example to the increased parking space associated with charging facilities). These regulations may impact demand for the Group's vehicles, particularly among existing or potential suburban customers who use or would use the Group's vehicles to commute or otherwise travel into urban areas. Therefore, the increasing prevalence or tightening of such regulations could have a negative impact on vehicle sales and thus on the Group's earnings.

These regulations described above are costly and challenging to implement and comply with and the Group may not be able to comply with them in a timely and commercially viable manner, or at all. Moreover, related costs are likely to increase further in the future, given the expected increase in scrutiny, regulatory changes or novel interpretations of current regulations and stricter enforcement by regulators globally. Complying with these standards may also pose a significant technological challenge, particularly for producers of high-performance vehicles. The Group's ability to comply with strengthening emissions regulations, quotas for zero- and low-emission vehicles and bans on ICEs in certain markets will depend on a number of factors relating to such vehicles, over many of which the Group has limited or no control. See "*1.1.9 The Group is exposed to risks regarding the development of its Electrified Vehicle offerings and the electric vehicle market in general, which could also impact the ability of the Group to achieve its sustainability ambitions*". Further, while the Group is able to offer its products with limited adjustments in markets that adhere to EU or U.S. emissions standards, it is costlier for the Group to produce vehicles that comply with national standards that deviate from such uniform norms. For instance, the China 6 emissions regulations reflect a mix of EU, U.S. and China-specific standards, and these standards are in some cases stricter than those of the EU or U.S. Adapting commercial vehicles to diverging emission standards is technically challenging and costly, particularly in respect to often conflicting regulations regarding CO_2 and other pollutant emissions. The lack of uniformity in emission regulations across different markets may impair the Group's ability to engage in modular production. Further, technical compliance with different regulations can lead to conflicts, such as with particulate matter and CO_2 emissions regulations, as efforts to decrease particulate matter emissions from engines can in some cases increase CO_2 emissions.

A violation of applicable regulations and standards could, depending on the circumstances, lead to administrative, civil or criminal proceedings, *e.g.*, by individuals, groups of individuals, regulators, non-government organizations ("**NGOs**") and environmental groups potentially resulting in the imposition of penalties, fines, disclosure obligations, damages, recalls, import prohibitions or restrictions on or revocations of the Group's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), which in turn could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.2 The Group is subject to risks related to findings of non-compliance and investigations by government authorities regarding potential non-compliance with applicable regulations and standards in a number of jurisdictions worldwide. The results of any government investigations or civil and criminal litigation relating to any non-compliance may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects

In November of 2015, the EPA issued a notice of violation of the Clean Air Act and its implementing regulations ("**EPA's Notice of Violation**") to Volkswagen AG, Volkswagen Group of America, Inc., the Company and its subsidiary Porsche Cars North America, Inc. ("**PCNA**") alleging that certain 3.0-liter V6 diesel engines sold in the United States, including the engines used in the Porsche Cayenne 3.0 liter V-6 diesel model ("**Porsche Cayenne Vehicles**"), violate applicable emissions certification standards. CARB thereafter issued a notice demanding that PCNA take "corrective action" to address the alleged emissions issue. The Group voluntarily halted the sale of approximately 11,500 of the Group's vehicles with 3.0 liter V6 U.S. diesel engines affected by EPA's Notice of Violation pending a decision and recertification by the United States authorities.

The EPA and CARB complaints alleged that the engine and related software in these 3.0 liter diesel vehicles contained prohibited defeat devices that modified the emissions system such that during normal vehicle operation and use the levels of NOx emitted were significantly in excess of the EPA- and CARB-compliant levels. The EPA complaint further alleged that the Company, PCNA and the other defendants "knew or should have known that the software logic and/or calibrations" constituted a defeat device that allowed the vehicles to be certified even though the actual emissions exceeded EPA standards.

Numerous governmental proceedings seeking damages, recalls, and/or technical fixes for affected diesel vehicles, criminal and administrative proceedings, and consumer claims as well as lawsuits were subsequently initiated in the United States, Canada, Germany and the rest of the world against members of the Volkswagen Group, including the Company and PCNA.

In the United States, in January of 2016, the United States Department of Justice (the "**DOJ**") (Civil Division) filed a civil complaint in federal court in Michigan, on behalf of the EPA, against the above-mentioned companies, including the Company and PCNA, alleging various violations of the U.S. Clean Air Act with respect to 3.0 liter diesel vehicles sold in the United States. Other governmental claims in the United States included a complaint by the State of California against various Volkswagen Group companies including the Company and PCNA alleging violations of the Consumer Financial Protection Act of 2010, the California Health & Safety Code and other state laws and regulations. Further proceedings were initiated by the DOJ (Criminal Division), state attorneys general, the U.S. Federal Trade Commission and an investigative inquiry by the U.S. Customs and Border Protection over the course of 2016. In addition, beginning in September of 2015, various class action lawsuits were filed against the Company and PCNA and other members of the Volkswagen Group on behalf of a group of customers that sought compensation for any impact related to the allegations involving Volkswagen Group vehicles, including the Porsche Cayenne Vehicles, model year 2013 to 2016, sold or leased in the United States (the "**3.0 Liter Diesel Class Actions**").

The proceedings by the DOJ (on behalf of the EPA), CARB and the California Attorney General (on behalf of the People of the State of California), the U.S. Federal Trade Commission and the investigative inquiry by the U.S. Customs and Border Protection as well as the 3.0 Liter Diesel Class Actions were subsequently resolved through a series of settlements. The settlement agreements resulted in the imposition of payment obligations, reporting obligations, penalties, and other requirements, some of which are ongoing, on the Company and PCNA. The settlement agreements in particular subjected the Company and PCNA to extensive injunctive relief, including implementing measures to ensure that employees involved in certification testing and monitoring are organizationally separate from those involved in product development, and to improve policies, procedures, practices, or processes for the development and certification of vehicles that include emission control systems designed to comply with U.S. laws and regulations related to emissions standards and certifications, required the Company and PCNA to implement a remediation plan, and imposed additional requirements. Although the Company and PCNA are fully committed to continuing to fulfill the obligations arising from these agreements, a breach of these obligations cannot be completely ruled out. In the event of a violation, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of subsequent monetary fines, criminal sanctions and injunctive relief.

At the state level, Volkswagen AG and other Volkswagen Group companies, including the Company or PCNA, have also reached separate agreements with numerous U.S. state attorneys general relating to consumer protection and unfair trade practices claims in connection with certain diesel vehicles, including the Porsche Cayenne Vehicles, and in respect of existing or future claims for civil penalties and injunctive relief for alleged violations of environmental laws. However, the attorney general of Texas and thirty counties in Texas as well as one county in Florida and one county in Utah have suits pending against PCNA.

In Germany, the Company has been involved in governmental proceedings with the German Federal Office for Motor Traffic (*Kraftfahrtbundesamt*—the "**KBA**") as well as in administrative offense (*Ordnungswidrigkeitenverfahren*) and criminal proceedings since 2017 in relation to allegedly prohibited defeat devices in diesel vehicles that modified the emissions system such that during normal vehicle operation and use the levels of NOx emitted were significantly in excess of compliant levels. In July of 2017, the KBA ordered conversion measures (*Umrüstungsmaßnahmen*) due to allegedly prohibited defeat devices for the diesel engines in the Cayenne V6 TDI EU6. In 2018, the KBA ordered conversion measures for further Porsche vehicles with diesel engines (Cayenne V8 TDI EU5 and EU6, Macan V6 TDI EU6) due to allegedly prohibited defeat devices.

Although various other governmental proceedings in Germany relating to the diesel issue have been resolved, including administrative offense (*Ordnungswidrigkeitenverfahren*) proceedings which resulted in the payment of a total fine issued by the public prosecutor's office in Stuttgart of EUR 535 million by the Company in

2019, approximately 480 civil proceedings relating to the diesel issue are still pending against the Group in German courts.

A number of further investigations and proceedings are pending around the world against the Group as well as against its executive directors with regard to diesel engines, including class actions in Belgium, the Netherlands and the UK. In addition, in 2021 a new lawsuit was filed in the High Court of England and Wales against Volkswagen AG, Volkswagen Financial Services (UK) Limited and other Volkswagen Group companies, including the Company, in connection with diesel vehicles with various engine types leased or sold in England, Wales, and Northern Ireland since 2009. No Claim Form has been served yet on any Volkswagen Group entity and the claims are uncertain in scope.

In 2020, the South Korean Ministry of Environment imposed fines on Porsche Korea regarding the vehicle models Cayenne V6 TDI EU6 and Macan V6 TDI EU5 in the amount of approximately EUR 3 million and EUR 750,000, respectively. After the competent administrative court overturned the fine notice regarding the Cayenne V6 TDI EU6, the ministry announced it intended to impose a new fine on Porsche Korea. With regard to these issues, criminal proceedings have been initiated against Porsche Korea and a former managing director in relation to the Cayenne V6 TDI EU6 and the Macan V6 TDI EU5. After the criminal proceedings had been discontinued, the consumer protection organization that had filed the criminal complaint appealed against the prosecutor office's non-indictment decision in relation to the Macan V6 TDI EU5 in August of 2022. So far, a decision about this complaint has not been made. Local counsel currently expects that such decision will probably take several months. Thus, this complaint is still pending. In any case, Porsche Korea has not yet been charged in these proceedings. Other criminal proceedings in South Korea regarding the Cayenne V6 TDI EU6 and the Macan V6 TDI EU5 and EU6 are either still ongoing or have been temporarily suspended. In July of 2022, Porsche Korea pro-actively disclosed their intention to the Korean National Institute of Environmental Research to implement a software update for vehicles of the model type Cayenne V8 TDI EU5 on the Korean market. The background of this decision was that KBA in 2018 ordered measures due to an alleged impermissible defeat device. As a matter of precaution, Porsche Korea had suspended the sale of new and used Cayenne V8 TDI EU5 vehicles in South Korea after the above-mentioned decision by KBA in 2018. Discussions with the regulator on this matter are currently ongoing.

In addition to the foregoing matters, the Company has also been involved in other administrative proceedings with respect to diesel vehicles.

In 2018, the KBA ordered conversion measures for the Panamera V8 TDI EU6 due to individual non-conformities relating to a calibration error and a long-term emission stability issue.

Separately, the Company has also been involved in administrative proceedings with the KBA with respect to so-called "thermal windows" in diesel vehicles. Based on industry-wide standards, many automotive manufacturers' diesel vehicles, including those of the Group, have what is known as a so-called "thermal window". Although the specific details of thermal windows may vary by manufacturer and model, the thermal window is essentially a function in which the exhaust gas recirculation rate ("**EGR**") is gradually reduced or shut down completely outside a certain temperature range depending on the ambient temperature. In November of 2019, the KBA opened administrative proceedings to determine whether thermal windows in Porsche Cayenne and Panamera V6 TDI EU5 diesel models were permissible in light of the conditions set out in Article 5(2)(a) of Regulation (EC) No. 715/2007, in particular the need for the device to be justified in terms of protecting the engine against damage or accident and for safe operations of the vehicle. After reviewing the facts, the KBA did not declare the examined thermal windows to be impermissible. The Company committed to the KBA to implement a software update in the Cayenne and Panamera V6 TDI Gen 2 EU5 models and initiated such implementation in Germany, which has since been extended to the EU and the UK. The software updates in relation to these vehicles are ongoing.

On July 14, 2022, the European Court of Justice ("**CJEU**") issued three (virtually identical) judgments concerning certain VW vehicles with EA189 engines according to which thermal windows are only permissible under two conditions: First, both conditions of Art. 5(2)(a) of Regulation (EC) No. 715/2007 would have to be met, *i.e.*, the thermal window must be necessary to protect the engine and ensure the safe operation of the vehicle. Second, the thermal window must not impair the effectiveness of the exhaust gas purification system due to its specific parameters during "most of the year". Whether a particular thermal window meets this standard set forth in the Court's judgments may depend on the "real driving conditions prevalent in the territory of the European Union", such as, among other factors, average temperatures. The application of the standards set by the CJEU in individual cases is up to national authorities and courts. The Company is currently analyzing the implications of this CJEU judgment and is in discussions with the authorities.

If the Company is not able to implement the ongoing software updates in line with the KBA's expectations especially on fulfillment rates, the KBA may take further measures including ordering a mandatory recall. If the Company is not able to offer software updates for relevant diesel vehicle models for which no software updates are available and where the KBA would expect such updates, further measures—depending on case and situation—may become necessary. Irrespective of whether software updates are available, the owners of these vehicles may seek damages from the Group.

In addition, following the CJEU's judgment, national regulatory authorities like the KBA as well as judicial authorities could in the future designate certain thermal window designs, including those used in the Group's vehicles, to be impermissible. As well as regulatory or judicial risks, there is a heightened risk that the Court's judgments could lead to a significant increase in customer complaints or lawsuits against the Group alleging that the thermal windows in the customers' vehicles are impermissible, even where such thermal windows comply with the requirements of the KBA and other regulatory bodies.

Furthermore, the Regional Court Ravensburg has referred a case concerning a thermal window manufactured by the Mercedes-Benz Group to the CJEU for a preliminary ruling, *inter alia*, on the question whether certain EU law provisions on EC type-approval of vehicles (Articles 18(1), 26(1) and 46 of Directive 2007/46/EC, read in conjunction with Article 5(2) of Regulation (EC) No. 715/2007) are intended to protect the interests of individual purchasers of motor vehicles. Furthermore, the Regional Court Ravensburg asked whether EU law confers on an individual purchaser a right to compensation against the vehicle manufacturer, on the basis of tortious liability, and even in the case of simple negligence in cases these provisions on EC type-approval of vehicles are infringed. In a non-binding opinion of the Advocate General from June 2, 2022, it is proposed that EU law on EC type-approval of vehicles protects the interests of an individual purchaser of a motor vehicle. In addition, the Advocate General proposed stating that EU law requires Member States to provide that a purchaser of a vehicle has a right to compensation from the vehicle manufacturer if these provisions are infringed, and that Member States must implement effective, proportionate and dissuasive penalties. The CJEU's decision is still pending. The German Federal Court of Justice previously held that EU law on EC type-approval of vehicles does not constitute a statute that is intended to protect another person (*Schutzgesetz*) pursuant to sec. 823 para. 2 of the German Civil Code (*Bürgerliches Gesetzbuch*). If the CJEU were to follow the opinion of the Advocate General there is a heightened risk that the Court's judgment could lead to a significant increase in lawsuits against the Group, including class actions, alleging that any non-conformity in the customers' vehicles gives rise to damage claims.

In addition to these, further investigations and litigation proceedings could be launched in the future and existing investigations and litigation proceedings could be expanded.

Beyond the issues described above, which relate to emissions from diesel vehicles, the Group has been involved in numerous other proceedings relating to non-compliance with applicable regulations and standards.

For example, in November of 2016, the EPA issued a request for information to Volkswagen Group of America and Volkswagen AG regarding certain software functions (unrelated to the diesel issue) in certain vehicles certified by Volkswagen AG in the United States. The request included every gasoline-powered vehicle test group with a gear shifting software program or "transmission warm-up" mode or similar transmission warm-up strategy, modes, or functions certified in the United States for model year 2013 to model year 2017. In December of 2016, CARB requested similar information from Volkswagen Group of America and Volkswagen AG related to automatic transmissions in certain vehicles. Although this request was not issued to the Company or PCNA, certain Porsche vehicles were equipped with these transmission functions. The resulting governmental proceedings were eventually resolved through (i) an update to greenhouse gas and corporate average fuel economy credits and (ii) an update to fuel economy numbers on relevant government websites, and the Company and PCNA, together with the Volkswagen Group, have resolved civil litigation liability related to the "transmission warm-up mode" issue with consumers in the U.S. through a payment of USD 96.5 million for all affected Volkswagen Group vehicles, of which USD 61.7 million was attributable to Porsche Cayenne vehicles.

In addition, the Group has internally identified potential regulatory issues, unrelated to the diesel issue, relating to gasoline powered vehicles for various markets worldwide involving the use of specific hardware and software components in type approval/certification measurements which were not used in the field, as well as in relation to specific sport functionalities (Sport/Sport+ functionality and Sport ENA). The Company self-disclosed the topics to the DOJ and cooperated with the agency in its inquiry into these topics and has been informed that the DOJ has closed that inquiry. The Company has also cooperated with relevant authorities including the public prosecutor's office in Stuttgart, which investigated, in particular, the certification matter in Germany. The public prosecutor's office in Stuttgart has dismissed the case against all individuals with regard to the matters investigated. No formal (criminal) investigation has been opened against the Company in Germany.

In the United States, six different class actions relating to these issues have been filed to date, which were consolidated in 2021 in a multi-district litigation with the U.S. District Court for the Northern District of California, alleging that the affected vehicles used certain software and/or hardware that resulted in overstated fuel economy estimates as compared to the results of certification testing and that certain sports functionalities led to increased emissions. In December of 2021, the Group agreed to a USD 80 million settlement (plus a potential "top up" of another USD 5 million). The court granted preliminary approval of the settlement agreement on June 29, 2022. Final approval is expected in October of 2022. Porsche also disclosed these topics to other U.S. agencies. Porsche expects a resolution with CARB in the near future. Appropriate GHG and CAFE credit updates are in process with EPA and NHTSA.

In July of 2021, the KBA ordered conversion measures regarding this certification topic in three different vehicle models (Macan I S, Macan I Turbo and 981 Spyder). The Company initiated recalls in relation to the 981 Spyder model in January of 2022. The KBA also agreed with the proposed technical solutions for the other two models. Porsche is currently initiating the field updates of these vehicles. In Germany, as of August 31, 2022, the Company was aware of 7 civil lawsuits pending in civil courts and 1 out-of-court proceeding (*außergerichtliches Verfahren*) in relation to these regulatory topics.

Based on EU Regulation (EU) 2018/858, the Group's vehicles may as a matter of course be subject to regulatory tests, inquiries or other procedures by regulatory authorities within the EU in their role as market surveillance authorities even if type approvals were granted by the approval authority of another EU member state. For example, the Company has received a regulatory inquiry regarding certain software functionalities in two specific Porsche models, for which type approvals were granted by the approval authority of another EU member state, in the context of vehicle sound level testing methods that were applicable until June of 2016. Depending on the outcome of any such regulatory tests or inquiries, market surveillance authorities may require the Group to make technical modifications, which may also result in adverse media coverage and possibly also litigation.

In Canada, in February and March of 2021, plaintiffs in British Columbia and Quebec filed claims seeking to represent a putative class of Canadian purchasers and lessees of certain model year 2007-2017 Porsche gasoline-powered vehicles against the Company, Porsche Cars Canada, Ltd., and Volkswagen AG. They alleged that the affected vehicles used certain software and/or hardware that resulted in increased CO_2 emissions and overstated fuel economy estimates as compared to the results of certification testing. The claims also alleged that certain Porsche gasoline-powered vehicles did not meet emissions requirements in the Sport (+) driving modes. The claims are at a preliminary and pre-certification stage. The Company has submitted a notice of defect regarding the sport functionalities and related certification issue to Canadian authorities which may give rise to potential liability for regulatory non-compliance. Environment Canada and Climate Change (the federal environmental regulator) has requested that it be kept apprised of these matters, including the certification matter (which is not the subject of a notice of defect), and the Company will continue to do so.

In South Korea, discussions with the Korean Automobile Testing & Research Institute regarding the certification topic are ongoing.

Many of the investigations, proceedings and litigation described above are ongoing at this time and could take an extended period of time to resolve. For instance, the Group's auditors for its audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 each included in their respective independent auditor's reports an emphasis of matter paragraph referring to the "emissions issue" and the "diesel issue and potential regulatory issues identified", respectively. Both emphasis of matter paragraphs noted uncertainties associated with the investigations, proceedings and litigation described above and that such uncertainties could cause management to reassess such risks in the future. The Group cannot predict when such investigations, proceedings and litigation will be completed or what their outcomes will be, including the potential effect that their results or the reactions of third parties thereto may have on the Group's business. Future developments in these investigations, proceedings and litigation, the need to respond to the requests of governmental authorities and private plaintiffs, and the need to cooperate in these proceedings, especially if the Group is not able to resolve these matters in a timely manner, could divert management's attention and resources from other issues facing the Group. Further, the results of these and any future investigations, proceedings and litigation may have a material adverse effect on the Group's reputation, business, assets, results of operations, financial condition and prospects. Due to the nature of many of the proceedings against the Volkswagen Group, their ultimate outcome may result from factors over which the Group has little or no control. Should the efforts made to address, manage and remediate the issues described above not be successful, the Group's business, reputation and competitive position could suffer substantial and irreparable harm.

1.3.3 The Group faces challenges in connection with stricter processes/requirements for vehicle approval (homologation) and new test procedures

The vehicle approval process (also referred to as type approval or homologation) is becoming increasingly more complex, time-consuming and variable depending on the applicable jurisdiction. In the case of emission requirements, for example, the transition in the EU from emission targets using the NEDC methods to targets using the methods of the WLTP regime is still ongoing, with the measurement standards imposed by the WLTP themselves being subject to ongoing changes. Such changes include, among others, potentially tightening certain margins of error for real driving emissions measurements and implementing new emission code letters, departing from those currently standardized across the EU, as well as revising measurement standards for the declared CO_2 values of PHEVs.

Increasingly stringent emission and fuel consumption regulations are expected to be introduced around the world in upcoming years, such as the Euro 7 standard in Europe, stricter regulations in China (*i.e.*, RDE limits), CARB's LEV IV and the EPA TIER 4 MY27 standards, which pose increased type approval implementation challenges and risks. Such risks are partly driven by political objectives to hasten the transition from and eventually ban ICEs. As these are expected to be gradually replaced (primarily by BEVs), type approval requirements for BEVs are expected to become more detailed as well along with the evolution of the relevant technology.

The costs of compliance with regulatory requirements are considerable, and such costs are likely to increase further in the future, given the expected increased scrutiny, periodic regulatory changes, the need to develop new harmonized internal standards to comply with regulations, and stricter enforcement by regulators globally. The Group has been required and may continue to be required to devote significant resources to develop and maintain the required internal processes. See also "*1.3.1 New, existing or changes to existing vehicle emissions and climate change related laws and regulations could result in substantial costs for the Group and have a significant effect on how the Group operates its business, and the Group may not be able to develop commercially viable vehicles that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products*".

Furthermore, type approval requirements in connection with cybersecurity and software updates are becoming increasingly prevalent and stringent. For example, in July of 2020, the United Nations Economic Commission for Europe (the "**UNECE**") adopted new guidelines on these topics, with applicability in the EU from July of 2022 for type approvals of new passenger vehicles and expected applicability from July of 2024 for all new registrations of passenger vehicles. The guidelines set forth performance and audit requirements automobile manufacturers must meet in connection with managing vehicle cyber risks and providing secure and transparent software updates. A failure to comply with these requirements can lead to a prohibition on selling the relevant vehicles in the relevant jurisdictions. China, South Korea and other jurisdictions are developing similar requirements, although the details and timelines are yet to be specified. Any failure to comply or difficulty in complying with such requirements would make it difficult or impossible for the Group to sell its vehicles in these markets.

Significantly increased requirements are also expected to be introduced in many markets for active and passive safety systems and other aspects of passenger vehicles, particularly in the context of battery/high-voltage component safety and the evolution of automated driving and higher automation levels of vehicles.

Changes in type approval and other regulatory requirements can also occur with short lead times for applicability, especially in China, the Group's single largest market. For example, requirements relating to quality standards in the use of certain chemicals and reporting obligations with official databases were imposed in China in the first quarter of 2021, with applicability starting by the end of the same calendar year. Further, systemic uncertainties in regulatory and administrative law in China pose challenges with respect to the ability of the Group to properly assess the applicability of type approval requirements and potential penalties as well as any possibility the Group has to request that the relevant agencies delay implementation or provide more information.

Further risks arise from the fact that several markets (*e.g.*, China and Korea) require the Group to document the manufacturer and manufacturing sites of many vehicle components in the relevant vehicle type approval/ certification documents. Due to expected impending shortages in the supply of affordable energy, particularly natural gas supplies, it may become necessary to source certain vehicle components from different suppliers or other production sites than the Group has previously, thereby affecting what must be disclosed in the relevant vehicle type approval/certification documents. Obtaining updated documents may be time-consuming, including as a result of other original equipment manufacturers in the same position as the Group stressing authorities' limited resources to handle such matters.

Vehicle conformity laws and regulations are, to an extent, characterized by complexity, lack of clarity and room for interpretation. This may lead to errors when interpreting and applying laws and regulations to the relevant products and processes. Furthermore, the interpretations of such laws and regulations by other stakeholders, including but not limited to regulators, market surveillance authorities, the public and NGOs, may differ. This could lead to allegations of non-compliance of the relevant products or processes.

A violation of applicable vehicle type approval regulations could lead to the imposition of penalties, fines, damages, recalls, import bans, restrictions on or revocations of the Group's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences. This, in turn, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.4 The Group is subject to risks associated with legal disputes and governmental proceedings

The Group may from time to time be involved in, or be threatened with, legal disputes and proceedings with customers, dealers, suppliers, employees or other third parties concerning, among other things, customer, dealer and supplier contractual relationships, warranty and other product-related claims, financial services, employment, IP rights, safety and environmental matters, as well as investor litigation. For example, dealers may challenge changes to the financial terms they have with automotive manufacturers if they perceive those terms to be unduly favorable to manufacturers. Furthermore, the Group may become subject to proceedings by governmental authorities in connection with its compliance with laws and regulatory requirements, including in the areas of environmental, labor law, antitrust, tax and safety matters. Customer and regulatory attention to vehicle emissions, including tailpipe and sound, and controls and other environmental, social and governance topics more generally has also heightened in recent years, leading to increased scrutiny being placed on automobile manufacturers by various stakeholders. The Group may become the subject of investor or other stakeholder climate change or sustainability-related litigation similar to cases recently lodged against the Volkswagen Group and other automobile manufacturers, which may allege that the Group has made misleading sustainability claims or that the Group is not doing enough to combat climate change.

The outcome of any currently pending or potential future legal or regulatory proceedings is, as a general matter, difficult to predict. If such proceedings are resolved against the Group, the Group may be subject to civil, criminal or other penalties, damages or other payment obligations, which may exceed any provisions set aside or any available insurance coverage. The Group may also be required to undertake service actions, recall campaigns, or alter how it conducts its business. Even if the Group ultimately prevails in legal and regulatory proceedings, defending such actions can be costly and result in management diverting its attention away from the Group's business activities. Adverse publicity surrounding legal or regulatory proceedings, government investigations or allegations may also harm the Porsche brand.

See also "*1.3.2 The Group is subject to risks related to findings of non-compliance and investigations by government authorities regarding potential non-compliance with applicable regulations and standards in a number of jurisdictions worldwide. The results of any government investigations or civil and criminal litigation relating to any non-compliance may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects*".

Any legal or regulatory proceeding pending or threatened against the Group could have a material adverse effect on the Group's reputation, business, assets, results of operations, financial condition and prospects.

1.3.5 The Group faces risks arising from non-compliance with antitrust laws and regulations

The Group's operations are subject to antitrust regulations in the European Union and other jurisdictions globally. Any failure to comply with such regulations may result in enforcement actions and/or damage claims. If the Group were to be found to be in breach of applicable antitrust regulations, this could have a material adverse impact on the Group, resulting from the imposition of substantial financial penalties, reputational damage, enforcement of damage claims by third parties such as customers and/or competitors, forced divestiture of parts of the business, and changes of certain business practices which may cause a further loss in sales revenue or profit.

For example, in 2017, the European Commission conducted inspections at the premises of several European car manufacturers (including Volkswagen AG and Audi) and, in April of 2019, initiated formal proceedings regarding suspected anti-competitive practices in the area of exhaust gas cleaning technologies. On July 8, 2021, the European Commission issued a settlement decision against the Volkswagen Group (including the Company), as well as two other German manufacturers of passenger vehicles, for the alleged violation of European antitrust provisions in relation to the development of Selective Catalytic Reduction ("**SCR**") systems for passenger cars with diesel engines in the European Economic Area between June of 2009 and October of 2014. With its decision, the European Commission imposed a fine of approximately EUR 502 million against the Volkswagen Group (including the Company). The fine has fully been paid by Volkswagen AG.

The Turkish Competition Authority ("**TCA**") started investigations against, *inter alia*, the Volkswagen Group (including the Company) in June of 2020. In January of 2022, the TCA, which has investigated conducts similar to those that were subject to the European Commission's investigation, issued its final short-form decision determining that the alleged anticompetitive behaviors had no effects in Turkey and thus did not impose any fine on the Volkswagen Group (including the Company). The TCA has, however, not yet issued a reasoned decision. The Volkswagen Group (including the Company) is currently assessing whether to appeal the decision, as the TCA made statements on substance in its decision although it confirmed that it has no jurisdiction due to a lack of local effects.

The Korean Antitrust Authority ("**KFTC**") is investigating potential infringements based on the facts that have already been subject to the European Commission's investigation. The final report of the case handler was issued in November of 2021 and does not foresee a monetary fine against the Company. The Volkswagen Group (including the Company) replied to this report in April of 2022. At this stage, the outcome of the investigation is unclear. In particular, there is a risk that the KFTC may impose a fine on the Volkswagen Group (including the Company) for infringements in relation to the development of passenger cars with diesel engines sold in Korea between June of 2009 and today.

The Chinese competition authority ("**SAMR**") has initiated an investigation based on a similar set of facts against the Volkswagen Group (including the Company) and other German manufacturers of passenger vehicles. The authority has issued several requests for information. The investigation is still ongoing.

In another matter, on March 15, 2022, the European Commission conducted unannounced inspections at the premises of companies and associations active in the automotive sector located in several Member States and sent out formal requests for information in parallel. The inspections were conducted in coordination with the UK Competition and Markets Authority ("**CMA**"). The investigations concern potential infringements in relation to the collection, treatment and recovery of end-of-live vehicles and vans. Neither the Company nor its UK subsidiaries were subject to those inspections. The Volkswagen Group has received a formal request for information from the European Commission also covering the Company as a wholly owned subsidiary of the Volkswagen Group. The investigations are preliminary investigatory steps and do not prejudge their outcome. Against this background and due to the early phase of the investigations, there is no reliable prediction of their outcome, *i.e.*, it cannot be predicted whether and if, to what extent, the investigations will finally lead to a determination of an antitrust law violation and respective fining risks.

Subsequent to the European Commission's settlement decision in July of 2021, claims for damages have been filed against the Company (including UK subsidiaries of the Company). A number of further claims may be made against the Group in the future. There is a further risk that the Company may be added to the claims against other German car manufacturers (*i.e.*, in which it is not included) or be the subject of contribution claims from the defendants of those claims. However, such claims are subject to certain limitations and it is not guaranteed that the contribution would in fact be recovered. The Group has set aside provisions for potential external lawyers' costs in connection with the proceedings. The provisions are evaluated and, if necessary, adjusted on a quarterly basis. The proceedings are still at an early stage. No documents have been made publicly available and the claims including the Company and its respective subsidiaries have not been served yet. Besides remaining uncertainties, the Company anticipates that these claims will be follow-on claims from the European Commission's proceedings in relation to emission cleaning technologies and/or claims relating to the diesel litigation. The Group has not yet made any provisions for potential damage payments in this regard.

Based on the allegation that several car manufacturers had colluded to unlawfully raise vehicle prices in violation of U.S. antitrust and consumer protection laws, in 2017 cartel class actions were brought against the Company, one of its U.S. subsidiaries and other subsidiaries of the Volkswagen Group before courts in the United States. Following a decision of the U.S. Supreme Court in June of 2022, a prior dismissal of the cartel class actions against the Company, one of its U.S. subsidiaries and other subsidiaries of the Volkswagen Group by the U.S. Court of Appeals became final and binding.

Complaints against several car manufacturers on similar grounds on behalf of alleged classes of purchasers are also pending in Canada, including against the Company and its Canadian subsidiaries, as well as other subsidiaries of the Volkswagen Group. Neither provisions nor contingent liabilities have been recorded so far as it is still not possible to evaluate these proceedings at present due to their early stage.

1.3.6 The Group is exposed to risks regarding compliance with regulations concerning the assembly, transportation and recycling of batteries, including those used in Electrified Vehicles, which could increase the cost associated with producing Electrified Vehicles

In December of 2020, the European Commission proposed a new regulation concerning batteries and waste batteries, repealing the prior Directive 2006/66/EC on batteries. The new regulation is intended to establish mandatory requirements for sustainability, safety, labeling and marketing and putting into service of batteries, as well as for end-of-life management. Due diligence obligations may also be imposed on parties across the battery production value chain, including the Group. As a draft of the proposed new regulation is still under discussion by the European Parliament, European Council and the European Commission, the exact nature of the obligations which will be imposed on the Group and its suppliers are not yet clear. However, as the Group transitions to an Electrified Vehicle-centric portfolio and batteries thus become a more substantial portion of its vehicles and procurement efforts, increased regulatory burdens with respect to batteries which significantly increase the cost of batteries or cause supply constraints could negatively impact the Group's cost of sales. Further, as a consequence of the global shift from ICEs towards electrified powertrain, similar regulations are expected to be introduced in other markets, which could increase the regulatory and compliance burden placed on the Group.

Any non-compliance by the Group with the regulations described above could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.7 The Group is exposed to risks related to laws and regulations applicable to its manufacturing operations, including environmental, health and safety laws and regulations

The Group's manufacturing operations are highly regulated and subject to a wide range of increasingly strict environmental, health and safety requirements. Any failure by the Group to comply with these requirements could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

In the area of environmental regulation, the Group's manufacturing operations are required to comply with laws and regulations relating to, among other things, air emissions, discharges into water, noise pollution, toxic and other chemicals and materials, waste treatment and disposal methods, and the energy efficiency of production processes. The Group is also subject to monitoring by environmental protection authorities. Any failure by the Group to comply with any present or future environmental regulation could result in the assessment of damages or imposition of fines against it, suspension of production or other penalties. Other environmental, health and safety related laws and regulations could also impose restrictions or conditions on the availability or use of raw materials required for the Group's manufacturing processes.

The Group operates complex manufacturing plants that create, use, store, manage, generate, emit and dispose of various substances that may constitute a hazard to human health, as well as to the environment and natural resources. It is possible that environmentally hazardous substances from those operations may have in the past entered and may in the future enter the air, watercourses, especially groundwater, or surface or subsurface soils at Group facilities or third-party locations. Issues with environmentally hazardous substances could affect property and endanger the environment, natural resources, and the health and safety of persons. The Group may be held liable, possibly regardless of fault and without any caps on liability, to remove or clean up such harm and to pay damages, including any resulting natural resource damages, arising from those environmentally hazardous substances.

The Group also requires various permits, licenses and other approvals to operate, including air emission, operating, wastewater discharge and waste disposal permits. Changes in the scope of operations, time limits on existing permits and future environmental laws may require the Group to apply for the renewal of existing or the issuance of new permits. The Group may not be able to renew its permits, licenses, or other approvals upon their expiration within the required timeframe or at all.

Additionally, there is an increasing number of global consumers focusing and inquiring about the labor and environmental standards of manufacturers. More stringent social responsibility laws and regulations may also be adopted in the future, which may result in an increase in the Group's cost of compliance. If the Group fails to comply with such laws and regulations, it may be subject to fines, penalties, legal judgments or other costs.

Even absent a finding of noncompliance, regulatory investigations, stakeholder litigation or the perception that the Group has not responded appropriately to growing consumer concern for issues relating to social responsibility, whether or not it is legally required to do so, may materially adversely affect the Group's reputation and the Porsche brand.

The occurrence of any of these events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.8 The Group is exposed to compliance and internal control related risks

In connection with the Group's worldwide business operations, it must comply with a broad range of legal and regulatory requirements in a number of jurisdictions, including in the areas of anti-corruption, anti-money laundering, antitrust and sanctions compliance, as well as laws and regulations regarding sales practices, products and services, financial services, environment, finance, employment and general corporate and criminal law. The Group maintains a compliance management system that supports its operational business processes, helps to ensure compliance with legislative provisions and, when necessary, initiates countermeasures. However, the internal governing documents, policies, procedures, processes and evaluation methods used by the Group to ensure compliance and to assess and manage risks may not be fully effective in managing all types of risks, including risks that the Group fails to identify or anticipate, as well as misconduct caused by a lack of adequate internal governance or control.

Members of the Group's governing bodies, employees, authorized representatives or agents may violate applicable laws and internal standards and procedures. The Group may not be able to identify such violations, ensure that they are reported in a timely manner, evaluate them correctly or take the appropriate countermeasures, and countermeasures may fail to be adequate for an enterprise of the Group's scale and complexity. This is particularly true in the case of individual misbehavior, as internal control systems are generally oriented to detect systemic issues. There can further be no certainty that any countermeasures implemented by the Group will be appropriate to reduce the corresponding business risks effectively or that as of yet undetected breaches of law or regulations have not occurred in the past, and that their discovery would not result in significant liability or reputational damage for the Group.

For example, the Group, in the period from spring 2020 to July of 2021 in particular, received a high number of whistleblower reports with allegations of misconduct at the Company, including cases of alleged improper pressure being exerted on employees in the HR department by certain groups of employees, the hiring of closely related persons and the illegal procurement of employment at the Company in return for cash payment, among others. No official proceedings were conducted against the Company itself following these reports, and the Company has implemented structural and individual measures to prevent comparable issues in the future. However, these measures may not be effective, in total or in part, to prevent similar issues from occurring in the future.

While the Group has implemented internal control and compliance reforms as part of a broader review across the Group following the vehicle exhaust compliance issues, future compliance issues in the Group's operations or products may not be detected. See "*1.3.2 The Group is subject to risks related to findings of non-compliance and investigations by government authorities regarding potential non-compliance with applicable regulations and standards in a number of jurisdictions worldwide. The results of any government investigations or civil and criminal litigation relating to any non-compliance may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects*".

Moreover, the Group is particularly exposed to compliance and internal control related risks with respect to its minority interests and joint ventures, where it is difficult and, in some cases, possible only to a limited extent to integrate these entities fully into the Group's internal controls, compliance and risk management systems.

Further, the operations of the Group's Financial Services segment are subject to financial regulations in the various jurisdictions in which they are offered, including a growing number of increasingly strict compliance rules. The cost of compliance with such regulations may be significant, and failure to comply could result in fines, penalties and the suspension or termination of such services.

Any failure to effectively prevent, identify or address violations of the Group's legal obligations as a result of inadequate internal controls, procedures, compliance systems and risk management systems could result in penalties and other sanctions, liabilities, the assertion of damages claims by third parties, and reputational damage, each of which could have a material adverse effect on the Group's business, operations, financial condition or prospects.

1.3.9 The Group's operations are subject to export control, sanctions, anti-corruption and anti-money laundering rules and regulations

In connection with the Group's worldwide business operations, it must comply with a broad range of legal and regulatory requirements relating to sanctions, anti-bribery and corruption, and anti-money laundering.

The Group's operations may be restricted by economic sanction programs imposed by multiple authorities, such as the United Nations, the EU and the United States through the Office of Foreign Assets Control ("**OFAC**"). Such economic sanctions programs may restrict the Group's ability to engage in business dealings with certain sanctioned countries, persons or companies. For example, the imposition of enhanced export controls and economic sanctions on transactions with Russia and Russian entities and persons by the United States, the UK, the EU and other countries in relation to the Russia-Ukraine Conflict has prevented and could in the future prevent the Group from performing existing contracts, recognizing sales revenue and/or receiving payment for products already supplied and services already performed with Russian or Russia-related customers (see "*1.1.2 The Russia-Ukraine Conflict and the sanctions imposed by numerous countries and multinational entities in response, as well as countermeasures by Russia, have had, and may continue to have, adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies and the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations*"). It is difficult to anticipate the extent to which current or future sanctions could increase the Group's costs, disrupt supplies, reduce sales or otherwise affect the Group's operations.

The Group's international operations are also subject to anti-corruption laws and regulations in the jurisdictions in which it operates, such as the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010. In addition, the Group is subject to anti-money laundering laws and regulations, including the European Union's 6th Anti-Money Laundering Directive, which went into force in 2020.

Export control law, sanctions, anti-bribery and corruption, and anti-money laundering regimes evolve over time and it is difficult for the Group to predict the interpretation, implementation or enforcement of governmental policies with respect to its activities. While the Group continuously reviews existing policies and procedures to ensure compliance with applicable laws and regulations, these policies and procedures may not be followed at all times and the Group's internal controls may not effectively detect and prevent violations by the Group's governing bodies, employees, consultants, agents or partners.

Violation of anti-corruption laws, export control, sanctions and anti-money laundering regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any violation could result in adverse media coverage, have an impact on the Group's reputation and consequently on its ability to generate future business and maintain long-term commercial relationships with its customers.

If the Group does not manage to succeed in managing the above risks, this could materially adversely affect its business, assets, results of operations, financial condition and prospects. See also "*1.3.8 The Group is exposed to compliance and internal control related risks*".

1.3.10 The business of the Group relies on the adequate protection of its IP, trade secrets and know-how, and third parties may claim that the Group infringes their IP rights

The Group's success in maintaining its competitive position depends, to a significant extent, on its ability to obtain and enforce IP rights worldwide. The Group seeks to protect its IP and proprietary rights through a combination of patents, utility models, trademarks, registered design rights, trade secrets, copyrights, internet domain names and similar forms of protection. With respect to proprietary know-how that is not patentable or deliberately not patented, the Group relies on trade secret protection and confidentiality agreements to safeguard its interests.

Steps taken by the Group to protect its IP and proprietary information may not be adequate to prevent misappropriation of its brand or technology as the existence of laws or contracts prohibiting such actions may not always serve as sufficient deterrents. Policing the unauthorized use of the Group's IP may be expensive and time consuming. The Group's IP rights may be (and have in certain instances been) challenged for their validity, and the Group may not be able to secure such rights in the future. In particular, there is a risk that the Group may not be in a position to secure all necessary IP rights with respect to the development of new technologies, in particular when such technologies are developed in the context of a collaborative partnership or joint ventures.

In addition, the laws of certain countries may not protect the Group's proprietary rights to the same extent as the laws of Europe or the United States. In China, one of the Group's key markets, for example, the validity, enforceability and scope of protection available under the relevant IP laws is in some cases uncertain and still evolving. Consequently, third parties, including the Group's competitors, may be able to use the technology or IP behind the Group's products and processes without a license, and the Group may not be successful in enforcing its rights against such use. In China, the Group currently cannot validly register the trademark "P in Triangle" for, *inter alia*, vehicles and vehicle parts because of a third party's prior rights. The lack of formal trademark protection in China limits the Group in enforcing its brands against third parties that market products with the "P in Triangle" trademark. This trademark can be found on many vehicle parts of the Group in a location that is not generally visible to the customer, *e.g.*, on the back of braking pads. The Group uses it as an indication of quality. However, the third party with the prior rights has tolerated the Group's use of the "P in Triangle" trademark in China for many years.

The Group may not be successful in maintaining the confidentiality of its trade secrets, or may not employ adequate protection measures with regard to know-how. Such measures are in some instances a requirement for the legal protection of trade secrets, which allows taking legal steps against know-how misappropriation. The undue exploitation of the Group's IP by third parties may reduce or eliminate the competitive advantage derived from the Group's own technology and well-known brand, limiting its ability to develop further innovative technologies and its capacity to compete in the markets where it operates and to attract new customers. The occurrence of any of these events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

The Group may also infringe patents, trademarks or other third-party IP rights. For instance, the Company and PCNA are currently involved in one patent infringement proceeding pending before the District Court of Delaware regarding the alleged infringement of three U.S. patents concerning LED headlights. In principle, further proceedings in which a third party alleges an infringement of its patents by the Group could arise in the future. This includes disputes relating to standard-essential patents and connected cars, one of the most relevant fields for patent litigation in the industry in recent years. In the past, third parties have threatened to enforce their rights relating to standard-essential patents in proceedings against the Group. The negotiations regarding the licensing of patents in the 2G/3G/4G telecommunications standards led to license agreements with the patent licensing platform Avanci in March of 2019. Also, various complaints made by Avago/Broadcom against the Group regarding the alleged infringements of their patents by using certain communication chips were settled in 2018 by the Volkswagen Group. The license agreed between Avago/Broadcom and Volkswagen AG covers the Group.

If the Group is found to have infringed any third-party IP rights, it may have to pay royalties or damages, modify manufacturing processes, redesign products or may be barred from marketing certain products. Should the Group have to redesign products or become barred from marketing certain products, this could result in production delays, the Group delaying Deliveries or the Group losing the ability to sell certain products altogether, any of which could result in lost business volume. The defense of IP claims and related legal and administrative proceedings may moreover be both costly and time consuming. The materialization of any of these risks could lead to the Group delaying Deliveries and production restrictions or interruptions, distract management attention from the operation of the Group's business, damage the Group's reputation, and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

The Group is further currently involved in a copyright dispute in which the heir to one of the designers of the Porsche 356 claims additional compensation for the alleged involvement of such designer in the design of the Porsche 911. The claim is purely monetary and does not involve a claim for cease and desist. The first two instances dismissed the complaint finding that the design of the Porsche 911 was not based on a design of the designer. The German Federal Court of Justice referred the case back to the Higher Regional Court Stuttgart in April of 2022 for procedural reasons.

A materialization of any of these risks could materially adversely affect the Group's business, assets, results of operations, financial condition and prospects.

1.3.11 The Group may face risks in connection with temporary agency work

The deployment of temporary agency workers (*Leiharbeitnehmer*) is highly regulated in Germany due to strict legal requirements and subject to uncertainties resulting from dynamic and sometimes inconsistent case law. Under, *inter alia*, the German Act on Temporary Agency Work (*Arbeitnehmerüberlassungsgesetz*), temporary agency workers may only be assigned to the hirer (*Entleiher*) for a maximum period of 18 months. Although an extension of the statutory maximum period is in principle possible by or on the basis of a collective bargaining agreement, several court decisions have, in a situation where the extension is provided by a works agreement that is based on a collective bargaining agreement, limited the effectiveness of such extension to union members. Since there are works agreements in place at Group companies in Germany under which temporary agency workers may be assigned to the Group for up to 48 months, Group companies in Germany, *inter alia*, face the risk of current and former temporary agency workers who have been employed for more than 18 months retroactively claiming an employment relationship with the relevant companies, subject to applicable principles of limitation (*Verjährung*) or forfeiture (*Verwirkung*). In this case, the relevant companies would, *inter alia*, be required to make subsequent payments of respective social security contributions for such employees.

A materialization of any of these risks could materially adversely affect the Group's business, assets, results of operations, financial condition and prospects.

1.3.12 The Group has substantial pension and other similar employee benefits-related obligations and is subject to risks related to the development of these obligations and to funding requirements of its pension and similar long-term benefit plans

The Group operates various defined benefit pension plans and similar long-term benefits plans. The vast majority of the obligations under these defined benefits plans relate to the Group's subsidiaries in Germany. Most of the plans, in particular those in Germany, are unfunded as of yet. Instead, provisions reflecting the liabilities under these unfunded plans have been made in the consolidated statement of financial position and benefits are to be paid out of the Group's cash flow when falling due. If the Group decided to fund these plans in the future, such funding would have to be made from available assets or future cash flows.

The Group's provisions for pensions and similar obligations as recorded in the Group's audited consolidated financial statements as of and for the year ended December 31, 2021 amounted to EUR 5,525 million.

The provisions for pensions and similar obligations are accounted for based on actuarial valuations, which rely on statistical and other factors in order to anticipate future developments and depend, among other factors, upon the discount and inflation rate, longevity, actuarial profiles of the plan participants, salary and wage trends, benefit plan changes, as well as the development of statutory and government regulations and rulings by labor courts in relation to the measurement of the obligations, the design of the plans, the effectiveness of plan changes and the plan administration.

Actual developments may differ from assumptions, *e.g.*, due to changing market and economic conditions, thereby resulting in an increase or decrease in the actual obligations. Also, changes in the valuation assumptions of pension obligations can affect net periodic pension cost.

Likewise, movements on the financial markets like fluctuations in currency, interest rates and securities prices or a change in the portfolio mix of plan assets can result in significant increases or decreases of the attributable fair value of plan assets over time and thus cause a higher pension deficit that may have to be made good for by additional contributions or increase the benefits to be paid out of the ongoing cash flow. In addition, changes in local regulatory requirements such as minimum funding standards, may force the Group to make (additional) asset contributions into a scheme which were currently not due under applicable funding regulations.

Further, in some jurisdictions in which the Group has significant pension obligations (such as Germany) the Group would in principle also be liable for the pension commitments implemented via external pension providers if and to the extent that an external pension provider was unable to fulfill the respective pension commitment. This may also lead to a substantial increase in the Group's pension provisions.

Any significant increase in the present value of the Group's pension and other employee benefits-related obligations, significant decrease in the fair value of the plan assets for a funding of the obligations or failure of external pension providers to cover their respective pension commitments or changes in regulatory funding requirements could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

Due to a large number of variables, including any legislative actions or other changes in the relevant jurisdictions, that determine the future development of the obligations, the plan assets as well as the existence and amount of funding requirements (where applicable), any future impacts on the Group's liabilities under pension and similar long-term benefit plans are difficult to predict. For example, in particular the change in the applicable discount rates has led to a significant reduction of the Group's provisions for pensions and similar obligations from EUR 5,525 million as recorded in the Group's audited consolidated financial statements as of and for the year ended December 31, 2021 to EUR 3,649 million as recorded in the Group's unaudited condensed consolidated financial statements of the Group as of and for the six months ended June 30, 2022. The liability and, where applicable, funding and funding ratio under the Group's pension plans and other long-term employee benefit plans could in the future continue to significantly change in relation to the respective figures recorded in the unaudited condensed consolidated financial statements of the Group as of and for the six months ended June 30, 2022 and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.13 The Group's insurance coverage may not be adequate to protect against all potential losses to which it may be subject, and uninsured losses could have a material adverse impact on the Group's business, and premiums may increase

The Group has insurance coverage in place in relation to a number of risks associated with its business activities, including general liability, product liability, property damage and business interruption, cargo, cyber and director and officer's ("**D&O**") insurance.

The Group's objective with respect to insurance is to minimize the risk of financial loss at a reasonable cost and with appropriate deductibles and the Group believes that its insurance coverage is adequate for its operations. However, because the Group's insurance coverage is subject to exclusions and deductions, there may be claims in respect of which the liability for damages and costs falls to the Group before being met or reimbursed by any insurance underwriter. There may also be claims in excess of the Group's insurance coverage or claims which are not covered by the insurance due to other policy limitations or exclusions or failure by the insurer of the Group to comply with the terms of the policy. Furthermore, the Group may not be able to obtain adequate insurance coverage in the future on commercially acceptable terms, or at all.

Any inability to obtain insurance coverage commercially or similar to that presently covering the Group, the Group having to pay higher premiums for or encountering restrictions on insurance coverage or the Group sustaining damages for which there is no or insufficient coverage could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.14 The Group is exposed to tax risks, which could arise in particular as a result of tax audits

The Group is subject to different tax regimes, assessments and audits in multiple jurisdictions due to the global nature of its business. Significant judgments and estimates are required in determining the Group's provisions for income, sales, value-added and other taxes. In the ordinary course of the Group's business, there are various transactions and calculations, including, for example, intragroup transactions and cross-jurisdictional transfer pricing, for which the ultimate tax determination or the timing of the tax effect is uncertain. Pursuant to transfer pricing rules that apply in several jurisdictions and in relation to cross-border business relationships, related enterprises are obligated to conduct any intercompany transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (arm's length principle) and to provide sufficient documentation thereof. Although the Group, where possible, concludes and applies advanced pricing agreements ("**APAs**") and mutual agreement procedures ("**MAPs**") (which aim to mitigate international double taxation and decrease the uncertainty that transfer prices could not be considered at arm's length) in the relevant markets, the possibility that the tax authorities will challenge the Group's compliance with applicable transfer pricing rules cannot be ruled out. Such transfer pricing adjustments (*e.g.*, adjustment of distribution margins) could have adverse tax and customs duty effects on the Group. The Group is regularly audited and the Group's tax returns and interpretation of laws are regularly reviewed by tax authorities, who may disagree with the Group's tax estimates or judgments. Although the Group believes its tax estimates are reasonable, the final determination of any such tax audits or reviews could differ from its tax provisions and accruals and such final determination could result in additional tax liabilities and related interest payments, as well as in penalties and regulatory, administrative or other sanctions.

The Group is and may in the future become involved in proceedings with national or regional tax authorities, including proceedings regarding cross-jurisdictional transfer pricing issues such as those concerning APAs and MAPs. For example, the Company is subject to a tax audit in Germany which has lasted for several years, includes several tax periods (covering tax periods 2009 until 2016 for corporate income tax, trade tax and VAT and tax periods 2011 until 2020 for wage tax) and is still ongoing. A tax audit for the tax periods 2017 until 2020 for corporate income tax, trade tax and VAT will start in the course of 2022. The ongoing tax audit has already led to various findings and the competent authorities have initiated proceedings of disorderly conduct (*Ordnungswidrigkeitenverfahren*) which resulted in a fine notice (*Bußgeldbescheid*) which included a fine of the Company amounting to EUR 40 million (comprising a EUR 9.9 million fine and an additional EUR 30.1 million as a recovery and disgorgement portion (*Einziehungs- und Abschöpfungsanteil*)) paid in

2021. While several findings of the ongoing tax audit have been discussed and agreed with the tax auditors and respective provisions and liabilities have been booked, the tax audit has not been completed yet and it cannot be excluded that further findings or adjustments will be made or adjustments for subsequent tax periods will be required which are currently not yet reflected in the respective provisions.

While the Group attempts to assess in advance the likelihood of any adverse judgments or outcomes to tax proceedings or claims, it is difficult to predict final outcomes with any degree of certainty. The final determination of any tax investigation, tax audit, tax review, tax litigation, and appeal of a tax authority's decision or similar proceedings may differ materially from the Group's expectations and/or the estimate as reflected in the Group's financial statements. It is expected that the current audits and reviews will be extended to other tax years or tax matters. In addition, changes in tax legislation or guidance could result in additional taxes and/or affect the Group's tax rate, the carrying value of deferred tax assets or its deferred tax liabilities.

In addition, certain entities of the Group were in the past or are currently part of fiscal unities, tax groups and other tax consolidation schemes; in some cases, the fiscal unities, tax groups and other tax consolidation schemes consisted and consist of both entities of the Volkswagen Group and entities of the Group. It cannot be ruled out that entities of the Group will be held liable for unpaid taxes of the members of such fiscal unities, tax groups and other tax consolidation schemes (including members outside of the Group) under statutory law or contract. Furthermore, should such fiscal unities, tax groups and other tax consolidation schemes not be accepted by the tax authorities and/or a tax court, taxes, interest and penalties may be imposed against entities of the Group, and such liabilities may be substantial.

According to Section 307 German Stock Corporation Act (*Aktiengesetz*; "**AktG**"), the fiscal unity currently in place between the Company and Porsche Holding Stuttgart GmbH ("**Porsche GmbH**" or the "**Selling Shareholder**") as well as the tax allocation practice during the fiscal unity will be terminated at the end of 2022. Although there are no tax impacts expected, it cannot be excluded that the tax authorities might take a different view, which could lead to a tax impact at the level of the Company.

The occurrence of any of the above events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4 Risks Related to the Group's separation from the Volkswagen Group

1.4.1 The operations of the Group depend on the continuation of the current cooperation with the Volkswagen Group and the services provided by Volkswagen Group thereunder

The Group currently maintains an extensive industrial cooperation and strategic collaboration with the Volkswagen Group, which entails synergies for the benefit of the Group and provides it with access to important products and services. The existing industrial cooperation covers in particular the areas of research, product development (including product positioning and product range), production, purchasing and procurement, logistics and IT. Under the framework agreement (*Eckpunktevereinbarung*) dated February 24, 2022, Porsche Automobil Holding SE ("**Porsche SE**") and Volkswagen AG agreed that the current comprehensive industrial cooperation between the Volkswagen Group and the Group is in the interest of all parties and shall therefore be continued comprehensively after the completion of the offering (the "**Offering**") of (i) 99,021,740 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder (the "**Base Shares**"), and (ii) 14,853,260 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder in connection with a potential over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

On September 5, 2022 the Company entered into an industrial cooperation agreement with Volkswagen AG (the "**Industrial Cooperation Agreement**"), which shall regulate the design of the industrial and strategic cooperation between the Volkswagen Group and the Company following the Offering. The Industrial Cooperation Agreement essentially contains general provisions for the continuation of the existing industrial cooperation between the Volkswagen Group and the Group as well as specific provisions for particular areas, such as research and development, production, logistics, emission and exhaust gas pooling, IT, as well as purchasing and procurement which are intended to be also further detailed in a purchasing and procurement cooperation agreement which is intended to be signed at some point following the date of this Prospectus. In addition to the Industrial Cooperation Agreement, existing individual, model and framework agreements will continue to apply, including, for example, the existing group research agreement (*Konzernforschungsvertrag*) which will continue to apply unchanged for an interim period.

It is possible that such ongoing service relationships and agreements will be insufficient to cover the Group's needs as a stand-alone company or that the agreements pursuant to which they are provided may contain terms and conditions that are not favorable to the Group or not competitive with alternatives in the market. In addition, failure by the Volkswagen Group (excluding the Group) to perform the services provided for under the service arrangements and agreements on time and in the required quality and quantity may result in operational problems and increased costs to the Group. The provision of services by the Volkswagen Group (excluding the Group) after the Offering may not function as efficiently as it did prior to the Offering and the Group may find it difficult to find a suitable alternative supplier of such services in a timely fashion or at all.

If any of the foregoing were to occur or if these agreements were to be terminated or will not be renewed by the Volkswagen Group or only renewed on terms less beneficial to the Group, the Group may not be able to find a new cooperation partner or perform the services and support provided by the Volkswagen Group under the cooperation on its own. As a result, the operations of the Group could be severely impacted and such terminations could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects if any of these agreements were to be terminated by Volkswagen Group or not renewed or only renewed on terms less beneficial to the Group.

1.4.2 The Group has not operated as a stand-alone publicly listed company in recent years and may be unable to operate effectively and fully implement its business strategy

The Company has not operated as a stand-alone publicly listed entity in recent years and it is uncertain how it will perform as such. Following the Offering, the Group will be solely responsible for managing, among other things, all of its administrative and employee arrangements, its legal affairs and its financial reporting requirements which may result in significant additional expenditures and/or expose the Group to an increased risk of legal, regulatory or civil costs or penalties. Significant changes may occur in the Group's cost structure, management, financing and business operations as a result of operating as a stand-alone publicly listed entity separate from the Volkswagen Group. These factors could have a material adverse effect on the Group's business, financial condition and results of operations or prospects.

Furthermore, the Group's management has limited experience in operating its business as a stand-alone publicly listed entity. The Group anticipates that its success in the endeavors to manage the aforesaid changes and, as a result, a successful implementation of its business strategy, will depend substantially upon the ability of the Group's management and other key employees to implement or adapt the necessary structures, to supervise their functionality and to work in a cohesive manner, the failure of which could have a material adverse effect on the Group's business, financial condition and results of operations or prospects.

1.4.3 The Group may not realize potential benefits from the separation of its business from the Volkswagen Group's other businesses

The Group may be unable to realize the potential benefits that it expects by separating from the Volkswagen Group. These benefits include the Group's ability to focus on its own strategic and operational plans, a more efficient allocation of capital for the Group, a distinct investment identity allowing investors to evaluate the merits, performance and future prospects of the Group separately from those of the Volkswagen Group, and a better tailoring of internal procedures to the nature of the Group's business and developing effective equity-based compensation to achieve greater alignment of management interests with the Group's business.

The Group may not achieve these and other anticipated benefits for a variety of reasons. Following the Offering, the Group will not have the same access to the financial, managerial and professional resources from which the Group has benefited in the past and will incur significant costs, which may be greater than those for which the Group has planned, to replace these resources. In addition, the separation and offering will require significant amounts of management's time and effort, which may divert management's attention away from the Group's business. Furthermore, certain costs and liabilities that were otherwise less significant to the Volkswagen Group as a whole will be more significant to the Group as a stand-alone publicly listed entity, the Group may be more susceptible to market fluctuations and other adverse events than if it were still a part of the Volkswagen Group, and the Group's business will be significantly less diversified than the Volkswagen Group's business prior to the separation. If the Group is unable to achieve some or all of the benefits expected to result from the separation and the Offering, or if such benefits are delayed, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.5 Risks Related to the Group's Shareholder Structure

1.5.1 The Preferred Shares carry no voting rights while Volkswagen AG through Porsche GmbH and Porsche SE will hold 100% of the voting rights and will therefore determine the outcome of resolutions by the Company's general meeting and could have diverging interests from those of the holders of Preferred Shares following completion of the Offering

The Preferred Shares carry no voting rights and holders of Preferred Shares will therefore not be able to exert any influence at the Company's general meeting ("**General Meeting**" (*Hauptversammlung*)). Following the Offering (assuming full exercise of a greenshoe option in connection with a potential over-allotment), the Company's largest shareholder, Volkswagen AG, will hold indirectly through Porsche GmbH 82.5% minus one Ordinary Share (as defined below) and the Company's second-largest shareholder, Porsche SE, directly 17.5% plus one share of the Company's ordinary bearer shares with no par value (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) (the "**Ordinary Shares**"). Volkswagen AG has agreed to transfer a further 7.5% of the Ordinary Shares to Porsche SE upon payment of a Special Dividend (as defined below). The special dividend (*Sonderdividende*) will be a one-time payment by Volkswagen AG to its shareholders, based on a respective resolution of Volkswagen AG's general meeting, in the event of a successful Offering amounting to 49% of the total gross proceeds Volkswagen AG (indirectly) receives from the placement of the Preferred Shares and the sale of the 25% Ordinary Shares plus one Ordinary Share (the "**Special Dividend**" (*Sonderdividende*)). Volkswagen AG and Porsche SE have contractually agreed, that even before the transfer of the 7.5% of the Ordinary Shares, Porsche SE will be treated as if it already owned 25% Ordinary Shares plus one Ordinary Share following the Offering. Volkswagen AG and Porsche SE have agreed to exercise their voting rights in alignment in respect of certain decisions in a shareholders' agreement dated September 18, 2022 (the "**Shareholders' Agreement**") such as specified below (such as the appointment of members on the supervisory board of the Company (the "**Supervisory Board**" (*Aufsichtsrat*)).

Due to their shareholdings, Volkswagen AG and Porsche SE will be in a position to decide all matters to be resolved by the General Meeting and, consequently the distribution of dividends or any proposed capital increase, as the Preferred Shares carry no voting rights. However, holders of Preferred Shares have—exceptionally—voting rights, if the extra dividend (*Mehrdividende*) is not paid or is not fully paid out in one year (for details see "*17.1 Current Share Capital and Shares*") and the General Meeting is only permitted to resolve upon a capital increase to the extent that the issued preferential shares without voting rights do not exceed half (*i.e.*, 50%) of the Company's issued share capital (cf. Section 139 para. 2 AktG).

Such exercise of the voting rights by Volkswagen AG and Porsche SE may have a significant adverse effect on the price of the Preferred Shares and thus adversely affect the Company's ability to raise further capital, irrespective of whether or not the Selling Shareholder participates in a future capital increase of the Company. The concentration of ownership of the Ordinary Shares could also delay or prevent certain major corporate actions, including a change of control in the Company, and could thus deter mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors.

Furthermore, the interests of Volkswagen AG and Porsche SE may not be aligned with each other, which could lead to delays or the prevention of corporate actions. Further, the interests of Volkswagen AG and Porsche SE and of other shareholders of the Company may not be aligned. The Selling Shareholder may have economic or business interests or goals that would turn out to be inconsistent with the Group's interests or goals or with those of holders of Preferred Shares, or which favor the interests of other members of the Volkswagen Group over those of the Group, which in turn could have a material adverse effect on the Group's reputation, business, results of operations, cash flow, financial condition or prospects. See also "*1.6.6 Future sales of the Preferred Shares by the Selling Shareholder or investors acquiring Preferred Shares in the Offering or the perception that such sales may occur could depress the market price of the Preferred Shares*".

In addition, a considerable portion of Volkswagen AG's ordinary shares with voting rights is held, directly or indirectly, by three large shareholders: Porsche SE, the State of Lower Saxony and Qatar Holding. Furthermore, under a provision of Volkswagen AG's articles of association, the State of Lower Saxony has the right to appoint two members of Volkswagen AG's supervisory board as long as it holds, directly or indirectly, at least 15% of Volkswagen AG's ordinary shares with voting rights. It cannot be ruled out that Porsche SE, the State of Lower Saxony or Qatar Holding will exercise each of their voting rights at Volkswagen AG's general meeting, or that the State of Lower Saxony will use its influence on Volkswagen AG's supervisory board derived from its rights under the articles of association, to pursue economic, political, regional, social or other interests that may diverge from the interests of Volkswagen AG, the Company, and holders of Preferred Shares.

1.5.2 Under the existing domination agreement and the existing profit and loss transfer agreement with the Company, as controlled entity, and Porsche GmbH, as controlling entity, the Company's unconsolidated earnings after taxes for the year ending December 31, 2022, will be transferred to Porsche GmbH and Porsche GmbH could issue instructions to the Company that are detrimental to the Company

The Company, as the controlled company, and Porsche GmbH, as the controlling company, continue to be parties to a domination agreement (*Beherrschungsvertrag*) (the "**Porsche DA**") and a profit and loss transfer agreement (*Gewinnabführungsvertrag*) (the "**Porsche PLTA**"), each dated November 13, 2009. The latest amendment to the Porsche PLTA is dated December 11, 2015, and became effective on January 1, 2016.

Under the Porsche DA, Porsche GmbH is entitled to issue instructions (*Weisungen*) to the executive board (*Vorstand*) of the Company (the "**Executive Board**") with respect to its management (*Leitung*) of the Company which the Executive Board is obliged to follow. Under the Porsche PLTA, the Company must transfer its entire annual earnings after taxes for the year determined by the Company's unconsolidated annual financial statements prepared in accordance with German generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch;* **HGB**) to Porsche GmbH (subject to the formation of retained earnings (*andere Gewinnrücklagen*) with the consent of Porsche GmbH in accordance with Section 272 para. 3 HGB) arising without the profit transfer, reduced by any loss carry-forward (*Verlustvortrag*) from the previous year, by the amount to be allocated to the statutory reserve (*gesetzliche Rücklage*) in accordance with Section 300 HGB and by the amount blocked from distribution (*ausschüttungsgesperrten Betrag*) in accordance with Section 268 para. 8 HGB. The profit transfer shall be determined in accordance with Section 301 AktG and shall not exceed the maximum amount permissible thereunder. Conversely, Porsche GmbH must compensate any annual net loss in accordance with Section 302 AktG, to the extent that such loss is not offset by withdrawing amounts from retained earnings (*andere Gewinnrücklagen*) formed during the term of Porsche PLTA.

Pursuant to Section 307 AktG, the Porsche DA and the Porsche PLTA will terminate by operation of law at the end of the financial year of the Company in which a minority shareholder acquires a shareholding in the Company. Assuming completion of the Offering, it will terminate with effect as of December 31, 2022. Consequently, the Company's earnings after taxes for that year as determined by the Company's unconsolidated annual financial statements prepared in accordance with German generally accepted accounting principles of the HGB, if any, will be transferred to Porsche GmbH and from Porsche GmbH to Volkswagen AG and the other shareholders of the Company will not be entitled to such earnings after taxes. Also, shareholders of the Company are exposed to the risk that, during the remaining term of the Porsche DA, Porsche GmbH issues instructions to the Executive Board which are in the interest of Volkswagen AG only or are otherwise detrimental to the Company or to other shareholders of the Company.

After the termination of the Porsche DA and the Porsche PLTA become effective, the rules governing factual domination as set out in Sections 311 et seq. AktG will apply to the relationship between Volkswagen AG, through Porsche GmbH, and the Company; under these rules, it will be possible for the Executive Board to also take the group interest of Volkswagen AG into consideration. Even though this does not result in an instruction right (*Weisungsrecht*), the Executive Board may even observe requests from Volkswagen AG, through Porsche GmbH, that are to the disadvantage of the Company, provided that the disadvantage is quantifiable and Volkswagen AG, through Porsche GmbH, compensates or agrees to compensate the disadvantage, such compensation or agreement to take place in the same financial year.

1.5.3 Dual mandates where individuals are board members of the Company and at the same time board members at Volkswagen Group or Porsche SE as well as other relationships with the Volkswagen Group or Porsche SE may result in conflicts of interest

Members of the Executive Board of the Company as well as members of the Supervisory Board of the Company also serve and will continue to serve on the executive boards or the supervisory boards of Volkswagen AG, other companies of Volkswagen Group or Porsche SE (so-called dual mandates), are employees of Volkswagen AG and/or hold shares in Volkswagen AG and/or Porsche SE, including virtual shares as part of the remuneration they receive from Volkswagen AG.

Dr. Oliver Blume, who is chairperson of the Executive Board of the Company, is also chairperson of the executive board of Volkswagen AG. Dr. Oliver Blume was appointed as chairperson of the executive board of Volkswagen AG by the supervisory board of Volkswagen AG on July 22, 2022, effective September 1, 2022. According to the understanding between the Company and Volkswagen AG, Dr. Oliver Blume will devote 50% of his working capacity to his role as chairperson of the Executive Board of the Company and the other 50% to his role as chairperson of the executive board of Volkswagen AG. Therefore, he has service agreements with the Company as well as with Volkswagen AG. Until December 31, 2022, Dr. Oliver Blume receives his entire remuneration from Volkswagen AG (fixed and variable components) while the remuneration entitlements under his service agreement with the Company are dormant. As from January 1, 2023, his remuneration will be paid by the Company on the one hand and by Volkswagen AG on the other hand, reflecting the split of working capacity. From January 1, 2023, Dr. Oliver Blume will receive an annual basic remuneration of EUR 800,000 from the Company and an annual basic remuneration of EUR 1,117,500 from Volkswagen AG (reflecting the 50/50 split in working capacity and the different remuneration levels at the Company and Volkswagen AG). The target value of his variable remuneration (short- and long-term) from Volkswagen AG amounts to EUR 3,437,500 and depends on share price development of Volkswagen AG's preferred shares and achievement of certain Volkswagen Group financial targets). The target value of his variable remuneration (short- and long-term) from the Company will be EUR 2,000,000 and depends on the share price development of Porsche's Preferred Shares and achievement of certain Porsche financial targets.

Lutz Meschke, who is deputy chairperson of the Executive Board and CFO of the Company, is also member of the executive board of Porsche SE. Considering that he will not dedicate his full working capacity to the Company, Lutz Meschke's total remuneration (fixed and variable remuneration) from the Company is 85% of the total remuneration the Supervisory Board of the Company deems to be fair and adequate for a deputy chairperson of the Executive Board and CFO of the Company. In addition, Lutz Meschke receives a compensation (fixed and variable) from Porsche SE.

In addition, certain members of the Supervisory Board of the Company also hold board memberships or senior positions at Volkswagen AG, other companies of Volkswagen Group or Porsche SE respectively, and hold shares in Volkswagen AG and/or Porsche SE, including virtual shares as part of the remuneration they receive from Volkswagen AG.

Since the interests of the Volkswagen Group and Porsche SE on one side and the interests of the Company on the other side are not necessarily always aligned, the aforementioned dual mandates and other relationships with the Volkswagen Group and Porsche SE may in the future potentially result in conflicts of interest. Such conflicts of interest may not only require Dr. Oliver Blume or Lutz Meschke to abstain from voting on certain agenda items in meetings of the Executive Board, but also to abstain from the entire decision-making process in relation to items where material conflicts of interest arise. Therefore, conflicts of interest may limit the effectiveness of the Company's Executive Board's decision making process. In particular Dr. Oliver Blume's roles as chairperson of the executive board of Volkswagen AG and simultaneously as chairperson of the Executive Board of the Company may—according to the foregoing—limit his ability to steer the Company and/or manage the Executive Board of the Company on important decisions where he is conflicted due to his role on the executive board of Volkswagen AG. This may lead to decisions not being taken in time or being taken at all, which may have a negative impact on the Company's business and development. Further issues in relation to conflicting interest and overlapping spheres of interest may arise from Volkswagen AG's right under the Shareholder's Agreement with Porsche SE to designate up to five members of the Supervisory Board of the Company. Although supervisory board membership is a personal office and supervisory board members are free of any instructions, in practice members of the Supervisory Board may be involuntarily influenced by their role at Volkswagen AG and the fact that they have been designated by Volkswagen AG, represented by Volkswagen AG's executive board, including Dr. Oliver Blume.

The German Stock Corporation Act (*Aktiengesetz*) and the rules of procedure (*Geschäftsordnung*) of the Executive Board as well as the rules of procedure (*Geschäftsordnung*) of the Supervisory Board contain provisions to protect the Company from the negative effects of potential conflicts of interest in case of personnel overlap. In general, members of the executive board and supervisory board of a stock corporation, such as the Company or Volkswagen AG or Porsche SE, have a legal duty to act solely in the interests of the respective company. This duty can mean that board members may not be permitted to vote on certain decisions in the one and/or the other board of the respective companies where the person concerned has a dual mandate. Under the rules of procedure (*Geschäftsordnung*) of the Executive Board each member of the Executive Board has to disclose any potential conflict of interest to the Supervisory Board without undue delay and shall inform the other members of the Executive Board. The boards will then decide on a case-to-case basis on how to deal with respective potential conflicts of interest. This may include, *inter alia*, having the potentially conflicted members of the Executive Board of the Company abstain from taking part in relevant resolutions of the Executive Board of the Company and/or the other respective board of which they are a member.

While the provisions in the German Stock Corporation Act (*Aktiengesetz*) and the rules of procedure (*Geschäftsordnung*) of the Executive Board of the Company contain provisions to protect the Company from the negative effects of potential conflicts of interest in case of dual mandates, it cannot be excluded that in some cases conflicts of interest may arise from dual mandates and other relationships the members of the Executive Board and the Supervisory Board may have with Volkswagen AG and/or Porsche SE. Any such conflict of interest, if not appropriately dealt with, could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.6 Risks Related to the Offer Shares and the Admission to Trading

1.6.1 The Preferred Shares have not been publicly traded and there is no guarantee that an active and liquid market for the Preferred Shares will develop or can be maintained

Prior to the Offering, there was no public trading market for the Preferred Shares. As a consequence, there can be no assurance that (i) an active and liquid trading market will develop or continue after the Offering, (ii) the share price will not decline below the offer price (the "**Offer Price**"), or (iii) prospective investors will be able to sell their Preferred Shares at an appropriate price. After a book-building process, the Offer Price will be determined by the Selling Shareholder after consultation with the Company and the BofA Securities Europe SA ("**BofA Securities**"), Citigroup Global Markets Europe AG ("**Citigroup**"), Goldman Sachs Bank Europe SE, ("**Goldman Sachs**") and J.P. Morgan SE ("**J.P. Morgan**" and together with BofA Securities, Citigroup and Goldman Sachs, the "**Joint Global Coordinators**") and may not be indicative of the market price after the Preferred Shares have been admitted to trading. Assuming (i) 99,021,740 Base Shares; and (ii) 14,853,260 Over-Allotment Shares (full exercise of a greenshoe option in connection with a potential over-allotment), the Selling Shareholder will continue to hold in aggregate 75.0% of the Company's Preferred Shares which limits the number of Preferred Shares held by the public and which could, therefore, adversely affect the development and maintenance of a liquid trading market for the shares. Low liquidity of the Preferred Shares may also entail high volatility regarding the share price. Furthermore, Preferred Shares available for stabilization measures during a stabilization period are limited, as they shall not exceed 15% of the final number of Offer Shares. Investors may not be able to sell the Preferred Shares at the final Offer Price, at a higher price or at all under certain circumstances.

1.6.2 As a publicly listed company, the Company will face additional administrative requirements and costs

After the Offering, the Company will be subject to the legal requirements for a German stock corporation (*Aktiengesellschaft*; "**AG**"*)* listed on the regulated market of a public exchange, the German Securities Trading Act (*Wertpapierhandelsgesetz*) and the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse ("**MAR**") as well as supervision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin*). These requirements include periodic financial reporting and other public disclosures of information (including those required by the stock exchange listing authorities), regular calls and meetings with securities and industry analysts, and other required disclosures. There can be no assurance that the Group's accounting, controlling and legal or other corporate administrative functions will be capable of responding to these requirements without difficulties and inefficiencies that cause the Group to incur significant additional expenditures and/or expose the Group to legal, regulatory or civil costs or penalties. Furthermore, the preparation, convening and conducting of general meetings and the Company's regular communications with shareholders and potential investors will entail substantial expenses.

The Group's management may also need to devote time and other resources to these requirements that it could have otherwise devoted to other aspects of managing the Group's operations, and these requirements could also entail substantially increased time commitments and costs for the accounting, controlling, legal and investor relations departments and other Group administrative functions. In addition, the Group may be required to hire additional employees or engage outside consultants to comply with such requirements, which could increase the Group's costs and expenses. Any of the foregoing could have a material adverse effect on the Group's reputation, business, results of operations, cash flow, financial condition or prospects.

1.6.3 The market price and trading volume of the Preferred Shares may fluctuate significantly and could decline upon completion of the Offering, and investors could lose some or all of their investment. There is no assurance that the price at which the shares will be traded following the Offering will be equivalent to or above the Offer Price

The trading volume and price of the Preferred Shares may fluctuate significantly. The share price is determined by the supply of and demand for the shares and may not necessarily reflect the fair value of the Company. Some of the factors that could negatively affect the share price or result in fluctuations in the price or trading volume of the shares include, for example, the inability to achieve the Group's targets as disclosed in this

Prospectus, ad hoc developments, fluctuations in the Group's actual or projected operating results, variations in quarterly results, failure to meet securities analysts' expectations, the contents of published research reports about the Company or the Group or the industry segments or securities analysts failing or ceasing to cover the Company or the Group following the Offering, actions by institutional shareholders and general market conditions or special factors influencing companies in the industry in general. Fluctuations in the equity markets could also cause the share price to decline, though such general fluctuations may not necessarily have any particular basis in the Group's business, results of operations and prospects.

There is no assurance that the price at which the Preferred Shares will be traded following the Offering will be equivalent to or above the Offer Price. Investors might therefore only be able to sell their Company shares at a price below the Offer Price. If the share price declines, investors may be unable to resell their Company shares at or above their purchase price and may lose some or all of their investment in the Preferred Shares.

1.6.4 The payment of future dividends will depend, among other things, on the Group's results of operations, financial and investment needs, the availability of distributable reserves and shareholder approval

The Company's ability to distribute dividends in the future will, among other things, depend on the Company's ability to generate profits, its results of operations and financing and investment needs, as well as the availability of distributable profits or distributable reserves. In addition, future debt financing arrangements may also contain covenants that limit the Company's ability to pay dividends. The ability to pay dividends is dependent on the existence of a distributable profit (*Bilanzgewinn*), as determined for the Company on a standalone basis in accordance with the German generally accepted accounting principles of the HGB. In order to determine the distributable profit (*Bilanzgewinn*), the net income or loss for the year must be adjusted with the profit/loss carry forward from the previous year, as well as any withdrawals or contributions made to the reserves. The results of operations set out in the unaudited condensed consolidated interim financial statement of the Company prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") on interim financial reporting (IAS 34) as of and for the six months ended June 30, 2022 (the "**Unaudited Condensed Consolidated Interim Financial Statements**") are not indicative of the amounts of future dividend payments. Any proposals by the Executive Board regarding dividend payments will be subject to the approval of the general meeting. The Company can make no predictions as to the size of future profits available for distribution, whether distributable profits will be achieved at all, or whether dividend payments will ultimately be approved.

1.6.5 Future offerings of equity or equity-linked debt securities may adversely affect the market price of the Company's Preferred Shares

The Group may require further capital in the future to finance its business operations or planned growth. Therefore, the Group may seek to raise capital through offerings of equity or debt securities (potentially including convertible debt securities) in the future. The issuance of additional equity securities or securities with rights to convert into equity could have a material adverse effect on the market price of the Company's Preferred Shares and would dilute the economic position and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering would depend on market conditions at the time of such an offering, the Group cannot predict or estimate the amount, timing or nature of future offerings. Thus, holders of Preferred Shares bear the risk of future offerings reducing the market price of the Preferred Shares and/or diluting their shareholdings in the Company. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of share options by the Group's employees in the context of future share option programs or the issuance of new shares to employees in the context of employee equity programs, such as restricted shares or employee share participation programs, could lead to such dilution. Any additional offering of shares by the Company, or the public perception that an offering may occur, could also have a negative impact on, or increase the volatility of, the market price of the Preferred Shares.

1.6.6 Future sales of the Preferred Shares by the Selling Shareholder or investors acquiring Preferred Shares in the Offering or the perception that such sales may occur could depress the market price of the Preferred Shares

Assuming (i) 99,021,740 Base Shares; and (ii) 14,853,260 Over-Allotment Shares (full exercise of a greenshoe option in connection with a potential over-allotment), Volkswagen AG will hold indirectly through the Selling Shareholder 75.0% of the Preferred Shares. If either of the Selling Shareholder (directly or indirectly) or one or more other shareholders of the Company sell a substantial number of the Preferred Shares they hold, directly and indirectly, following completion of the Offering, or a consensus is formed in the market that such a sale is imminent, the price of the Preferred Shares may decline. While the Preferred Shares that are, directly and indirectly, held by the Selling Shareholder are subject to lockup commitments, such arrangements are only contractual obligations and are only binding for the agreed lockup period ending six months after the first day of trading of the Preferred Shares on the Frankfurt Stock Exchange and provide for certain exceptions. If such arrangements among the parties are amended or waived, shareholders will not have any right of action against the parties. A sale of the Preferred Shares before the expiration of the lock-up period therefore cannot be ruled out. Any proposed or perceived sale of Preferred Shares in the future may significantly depress the share price, particularly at the point in time when the lock-up arrangement expires.

1.6.7 Shareholders outside of Germany may not be able to participate in future rights offerings

In the case of certain increases in the Company's issued share capital, the Company's existing shareholders are generally entitled to subscribe to the new shares issued unless such subscription rights are specifically excluded. Shareholders outside Germany, including the United States, may not be able to exercise their subscription rights unless the Company decides to comply with applicable local laws and regulations. The Company cannot assure any shareholder outside of Germany that steps will be taken to enable them to exercise their subscription rights, or to permit them to receive any proceeds or other amounts relating to their subscription rights. This could result in dilution of those shareholders' proportionate interests in the Company. Open market purchases to counteract such dilution could be on terms less favorable than those offered to other shareholders in connection with such a capital increase.

1.6.8 Shareholders in countries with currencies other than the Euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of Company shares

The Preferred Shares will be quoted only in Euros and any future payments of dividends, if any, on the Preferred Shares will be denominated in Euros. During recent periods, the Euro has fluctuated in value against other world currencies. The U.S. Dollar or other currency equivalent of any dividends paid on the Preferred Shares or any distributions made would be adversely affected by the depreciation of the Euro against the U.S. Dollar or such other currencies. Accordingly, any investment in the Preferred Shares by a shareholder whose main currency is not the Euro will be exposed to exchange rate risk so that any depreciation of the Euro in such shareholder's main currency will reduce the value of their equity investment and the value of any dividends received from the Company.

1.6.9 If the Company is a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. holders of Offer Shares could be subject to adverse U.S. federal income tax consequences

A non-U.S. corporation will be classified as a passive foreign investment company (a "**PFIC**") for any taxable year if either: (a) at least 75% of its gross income is "passive income" for purposes of the PFIC rules or (b) at least 50% of the gross value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. Based on the Company's historic and anticipated operations, and the projected composition of the Company's income and assets (including unbooked goodwill as valued based on the projected market value of the Company's equity), the Company does not expect to be a PFIC for the current taxable year or the foreseeable future. However, the Company's possible status as a PFIC must be determined annually after the close of each taxable year, and therefore may be subject to change. This determination will depend on the composition of the Company's income and assets, and the fair market value of its assets from time to time, including its unbooked goodwill, which is generally determined by reference to the Company's share price (which could fluctuate significantly). Based on its current operations, it is arguable that the majority of the Company's unbooked goodwill (which it has valued based on the projected market value of its equity) may be attributable to the Company's activities that generate active income and may be treated as an active asset. However, because the Company has valued its goodwill based on the projected market value of its equity, a decrease in the price of the shares may also result in the Company becoming a PFIC. The Company's possible status as a PFIC will also depend on the application of complex statutory and regulatory rules that are subject to potentially varying or changing interpretations.

Accordingly, there can be no assurance that the Company will not be considered a PFIC for any taxable year. If the Company were a PFIC, a U.S. holder of Offer Shares may be subject to adverse U.S. federal income tax consequences, such as taxation at the highest marginal ordinary income tax rates on gains recognised on certain actual or deemed distributions, interest charges on certain taxes treated as deferred, and additional reporting requirements. U.S. holders of Offer Shares should therefore consult their own tax advisers regarding the application of the PFIC rules to their ownership of the Offer Shares.

2 GENERAL INFORMATION

2.1 Responsibility for the Contents of this Prospectus

Dr. Ing. h.c. F. Porsche Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*), governed by German law with its registered office in Stuttgart and its business address at Porscheplatz 1, 70435 Stuttgart, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart under HRB 730623, telephone +49 711 911 0, (the "**Company**" or "**Porsche AG**") as well as BofA Securities Europe SA, 51, rue La Boétie, 75008 Paris, France, legal entity identifier code ("**LEI**") 549300FH0WJAPEHTIQ77 ("**BofA Securities**"), Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04 ("**Citigroup**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**") and J.P. Morgan SE, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**") (the "**Joint Global Coordinators**" and each, a "**Joint Global Coordinator**"), BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**"), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**") and Morgan Stanley Europe SE, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany, LEI 54930056FHWP7GIWYY08 ("**Morgan Stanley**") (the "**Senior Joint Bookrunners**", and each, a "**Senior Joint Bookrunner**"), Banco Santander, S.A., Paseo de Pereda, 9-12, Santander, Spain, LEI 5493006QMFDDMYWIAM13 ("**Santander**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, Ireland, D02 RF29, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**"), Société Générale, 29 boulevard Haussmann, 75009 Paris, France, LEI O2RNE8IBXP4R0TD8PU41 ("**Société Générale**") and UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany, LEI 2ZCNRR8UK83OBTEK2170 ("**UniCredit**") (the "**Joint Bookrunners**", and each, a "**Joint Bookrunner**" and together with the Joint Global Coordinators and the Senior Joint Bookrunners, the "**Underwriters**") and COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**"), Crédit Agricole Corporate and Investment Bank, 12 Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole CIB**"), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606 ("**LBBW**") and Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany LEI 213800G8QEXN34A2YG53 ("**Mizuho**") (the "**Co-Lead Managers**" and each a "**Co-Lead Manager**" and, together with the Joint Global Coordinators, Senior Joint Bookrunners and the Joint Bookrunners, together the "**Banks**") each assumes responsibility for the content of this Prospectus pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*, "**WpPG**"), as well as Article 11 para. 1 of the Prospectus Regulation and declare that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

This Prospectus was approved on September 19, 2022 in accordance with Art. 20 para. 2 of the Prospectus Regulation by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany (telephone +49 228 4108 0; website: www.bafin.de), as competent authority under the Prospectus Regulation. BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and such approval should not be considered as an endorsement of the Company or the quality of its shares. Investors should make their own assessment as to the suitability of investing in the shares of the Company.

The Company has requested BaFin to notify the approved Prospectus in accordance with Article 25 of the Prospectus Regulation, with a letter of approval attesting that this Prospectus has been prepared in accordance with the Prospectus Regulation, to the Austrian supervisory authority *Österreichische Finanzmarktaufsicht* ("**FMA**"), to the French supervisory authority *Autorité des marchés financiers* ("**AMF**"), to the Italian supervisory authority *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and to the Spanish supervisory authority *Comisión Nacional del Mercado de Valores* ("**CNMV**").

This Prospectus is being filed on September 19, 2022, immediately after approval by BaFin with the Swiss review body SIX Exchange Regulation Ltd. pursuant to article 54(2) of the Swiss Financial Services Act, and may be obtained free of charge in electronic form at investorrelations.porsche.com or in printed form, upon request from UBS AG, Investment Bank, Swiss Prospectus Switzerland, P.O. Box, 8098 Zurich Switzerland (voicemail: +41-44-239 47 03; fax number: +41-44-239 69 14; email: swiss-prospectus@ubs.com) ("**UBS AG**").

The LEI of the Company is: 529900EWEX125AULXI58.

The Company's website is www.porsche.com. Information contained on the Company's website is not incorporated by reference in this Prospectus and is not part of this Prospectus.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as the plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area.

Prospective investors should read the entire document and, in particular, the section headed "*1 Risk Factors*", when considering an investment in the Company.

Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in the Company's affairs or that the information set forth in this Prospectus is correct as of any date subsequent to the date hereof.

Neither the Company nor the Banks are required by law to update the Prospectus subsequent to the date hereof, except in accordance with Article 23 of the Prospectus Regulation, which stipulates that every significant new factor, material mistake, or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the closing of the period during which investors may submit purchase orders for the Offer Shares, expected to commence on September 20, 2022 and to expire on September 28, 2022 (the "**Offer Period**") or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the prospectus without undue delay. In any event, the obligation to supplement a prospectus no longer applies when a prospectus is no longer valid. The closing of the Offer Period is expected to occur on September 28, 2022, and the time when trading on a regulated market begins is expected to occur on September 29, 2022. Accordingly, the validity of the prospectus is expected to expire with the beginning of the trading of the Preferred Shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Frankfurt Stock Exchange**").

2.2 Purpose of this Prospectus

This Prospectus relates to the public offering in Germany, Austria, France, Italy and Spain.

The Offering of non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*), each representing a notional share of EUR 1.00 in the Company's share capital per no-par value share, consists of:

- 99,021,740 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder (the "**Base Shares**"); and
- 14,853,260 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder in connection with a potential over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

In addition, this Prospectus relates to the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange, as well as the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, of 455,500,000 existing non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*), each representing a notional share of EUR 1.00 in the Company's share capital per no-par value share (the "**Admission to Trading**"). The Company currently does not intend to list its Ordinary Shares.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any shares offered by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

2.3 Validity of this Prospectus

The validity of this Prospectus will expire with the beginning of the trading of the Preferred Shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to occur on September 29, 2022, and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

2.4 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to present or historical facts and events. Statements in this Prospectus containing information relating to, among other things, (i) the Group's future earnings, cash flows, capital expenditures and profitability (including the targets set out under "*28 Recent Developments and Outlook*"), (ii) the Group's plans and expectations regarding its business, (iii) the Group's strategy, and (iv) projected industry growth in the markets in which the Group operates are all examples of forward-looking statements. Statements made using the words "assumes", "anticipates", "contemplates", "continues", "could", "is likely", "will", "expects", "predicts", "targets", "intends" or "in its estimation" or the negative of these words indicate forward-looking statements.

The forward-looking statements in this Prospectus are subject to uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Accordingly, investors are strongly advised to consider this Prospectus as a whole and particularly ensure that they have read the following sections of this Prospectus: "*9 Profit Forecast*", "*10 Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*11 Industry Overview*", "*12 Business*", and "*28 Recent Developments and Outlook*". These sections include more detailed descriptions of factors that might have an impact on the Group's business and the business environment in which the Group operates.

In light of these factors, future events mentioned in this Prospectus might not occur and future projections may prove to be inaccurate. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (see "*2.6 Sources of Market Data*" for more information on third-party sources used in this Prospectus).

Forward-looking statements included in this Prospectus speak only as of the date of this Prospectus.

2.5 Presentation of Financial Information

2.5.1 Background

Unless otherwise indicated, financial information contained in this Prospectus has been prepared on the basis of IFRS.

2.5.2 Financial Information

This Prospectus includes the following financial information as English translations of the German originals:

- the unaudited condensed consolidated interim financial statements of the Company as of and for the six months ended June 30, 2022 (the "**Unaudited Condensed Consolidated Interim Financial Statements**") prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), applicable to interim financial reporting (IAS 34);
- the audited consolidated financial statements of the Company as of and for the year ended December 31, 2021 (the "**Audited 2021 Consolidated Financial Statements**") prepared in accordance with IFRS;
- the audited consolidated financial statements of the Company as of and for the year ended December 31, 2020 (the "**Audited 2020 Consolidated Financial Statements**") prepared in accordance with IFRS;
- the audited consolidated financial statements of the Company as of and for the year ended December 31, 2019 (the "**Audited 2019 Consolidated Financial Statements**", together with the Audited 2021 Consolidated Financial Statements and the Audited 2020 Consolidated Financial Statements, the "**Audited**

Consolidated Financial Statements" and together with the Unaudited Condensed Consolidated Interim Financial Statements, the "**Consolidated Financial Statements**") prepared in accordance with IFRS; and

- the audited annual financial statements of the Company as of and for the year ended December 31, 2021 prepared in accordance with German generally accepted accounting principles of the HGB (the "**Audited Unconsolidated Financial Statements**" and together with the Audited Consolidated Financial Statements, the "**Audited Financial Statements**").

The aforementioned financial statements are included in the following section of this Prospectus "*26 Financial Information*" beginning on page F-1.

No segment reporting is disclosed in the Audited Consolidated Financial Statements. Beginning with the Unaudited Condensed Consolidated Interim Financial Statements and for future financial reporting purposes, the Group has two reportable segments: Automotive and Financial Services. Reportable segments are identified on the basis of the Group's internal management and reporting. The reportable segments are largely organized and managed separately according to the nature of the products and services provided. The activities of the Automotive segment are presented before inter-segment consolidation and include the development, production and selling of vehicles as well as related services. The activities of the Financial Services segment are presented before inter-segment consolidation and include financing and leasing services for customers and dealers as well as mobility-offerings and other financial services.

Where financial information in the tables in this Prospectus is labeled "audited", this means that the financial information has been taken from the Audited Financial Statements. The label "unaudited" is used in the tables in this Prospectus to indicate that the financial information has not been taken but derived from the Audited Financial Statements, or has been taken or derived either from the Unaudited Condensed Consolidated Interim Financial Statements or the accounting records or the internal reporting systems of the Company or has been calculated based on figures from the aforementioned sources.

2.6 Sources of Market Data

Unless otherwise specified, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Group operates is based on the Company's assessments. These assessments, in turn, are based in part on internal market observations and on various market studies.

The following sources were used in the preparation of this Prospectus:

- Bain & Company, "*From Surging Recovery to Elegant Advance: The Evolving Future of Luxury*", dated December 21, 2021, available at https://www.bain.com/insights/from-surging-recovery-to-elegant-advance-the-evolving-future-of-luxury/ ("**Bain & Company December 2021**");
- Capgemini Research Institute, "*Customer first strategy: Putting the client at the heart of wealth management*", dated 2022, available at https://worldwealthreport.com/pdf/Capgemini_WWR_2022_VFinal_Digital.pdf ("**Capgemini June 2022**");
- Cars.com, "*What makes a car luxury?*", dated September 13, 2020, available at https://www.cars.com/articles/what-makes-a-car-luxury-426608/ ("**Cars September 2020**");
- Deloitte, "*Global Powers of Luxury Goods 2021*", dated December 17, 2021, available at https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/at-global-powers-of-luxury-goods-2021.pdf ("**Deloitte December 2021**");
- Eurostat, European Commission, "Flash estimate—August 2022", dated August 31, 2022. Available at https://ec.europa.eu/eurostat/documents/2995521/14675409/2-31082022-AP-EN.pdf (**"Eurostat, European Commission, "Flash estimate—August 2022""**);
- Eurostat, European Commission, "Flash estimate—August 2021", dated August 31, 2021. Available at https://ec.europa.eu/eurostat/documents/2995521/11563243/2-31082021-AP-EN.pdf (**"Eurostat, European Commission, "Flash estimate—August 2021""**);
- Eurostat, European Commission, "Flash estimate—August 2020", dated September 1, 2020. Available at https://ec.europa.eu/eurostat/documents/2995521/10545459/2-01092020-AP-EN.pdf (**"Eurostat, European Commission, "Flash estimate—August 2020""**);
- European Commission, "European Economic Forecast—Summer 2022". Available at https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/summer-2022-

economic-forecast-russias-war-worsens-outlook_en ("**European Commission, "European Economic Forecast—Summer 2022"**");

- U.S. Federal Reserve, "Summary of Economic Projections", dated June 15, 2022, available at https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220615.pdf ("**U.S. Federal Reserve, "Summary of Economic Projections June"**");
- Knight Frank, "*The Wealth Report 2022*", dated 2022, available at https://www.knightfrank.com/wealthreport/ ("**Knight Frank January 2022**");
- McKinsey & Company, "*A turning point for US auto dealers: The unstoppable electric car*", dated September 2021, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/a-turning-point-for-us-auto-dealers-the-unstoppable-electric-car ("**McKinsey September 2021**");
- McKinsey & Company, "*Can the automotive industry scale fast enough?*", dated May 2022, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/can-the-automotive-industry-scale-fast-enough ("**McKinsey May 2022**");
- McKinsey & Company, "*Five trends shaping tomorrow's luxury-car market*", dated July 8, 2022, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/five-trends-shaping-tomorrows-luxury-car-market ("**McKinsey July 2022**");
- McKinsey & Company, "*How electric vehicles will shape the future*", dated April 23, 2022, available at https://www.mckinsey.com/featured-insights/themes/how-electric-vehicles-will-shape-the-future ("**McKinsey April 2022**");
- McKinsey & Company, "*How hydrogen combustion engines can contribute to zero emissions*", dated June 2021, available at https://www.mckinsey.de/industries/automotive-and-assembly/our-insights/how-hydrogen-combustion-engines-can-contribute-to-zero-emissions ("**McKinsey June 2021**");
- McKinsey & Company, "*Subscribed to future auto finance yet?*", dated November 2020, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/subscribed-to-future-auto-finance-yet ("**McKinsey November 2020**");
- McKinsey & Company, "*The future of brand strategy: It's time to 'go electric'*", dated May 27, 2020, available at https://www.mckinsey.com/business-functions/growth-marketing-and-sales/our-insights/the-future-of-brand-strategy-its-time-to-go-electric ("**McKinsey May 2020**");
- McKinsey & Company, "*The road to affordable autonomous mobility*", dated January 3, 2022, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/the-road-to-affordable-autonomous-mobility ("**McKinsey January 2022**");
- McKinsey Center for Future Mobility, "*Why the automotive future is electric*", dated September 2021, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/why-the-automotive-future-is-electric ("**McKinsey Center for Future Mobility September 2021**");
- McKinsey Quarterly, "*The irresistible momentum behind clean, electric, connected mobility: Four key trends*", dated April 6, 2021, available at https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/the-irresistible-momentum-behind-clean-electric-connected-mobility-four-key-trends ("**McKinsey Quarterly April 2021**");
- Policy Department for Economic, Scientific and Quality of Life Policies, "*The Future of the EU Automotive Sector*", dated October 2021, available at https://www.europarl.europa.eu/RegData/etudes/STUD/2021/695457/IPOL_STU(2021)695457_EN.pdf ("**Policy Department for Economic, Scientific and Quality of Life Policies October 2021**");
- Rimac, "*Rimac Group Raises Eur 500 Million in Series D Investment Round Led by Softbank Vision Fund 2 and Goldman Sachs Asset Management, Investing Alongside Existing Shareholders*", dated June 1, 2022, available at https://www.rimac-automobili.com/media/press-releases/rimac-group-raises-eur-500-million-in-series-d-investment-round-led-by-softbank-vision-fund-2-and-goldman-sachs-asset-management-investing-alongside-existing-shareholders/ ("**Rimac June 2022**");
- S&P Global, "*S&P Global Mobility Light Vehicle Sales Forecast*", dated April 2022 ("**S&P Global Mobility Light Vehicle Sales Forecast April 2022**");

- S&P Global, "*S&P Global Mobility Light Vehicle Powertrain and Alternative Propulsion Production Forecast*", dated April 2022 ("**S&P Global Mobility Light Vehicle Powertrain and Alternative Production Forecast April 2022**");
- S&P Global, "S*&P Global Mobility Light Vehicle Sales Based Powertrain Forecast*", dated March 2022 ("**S&P Global Mobility Light Vehicle Sales Based Powertrain Forecast March 2022**");
- Sustainable Energy Authority of Ireland, "*Types of Electric Vehicles*", dated 2017, available at https://www.seai.ie/technologies/electric-vehicles/what-is-an-electric-vehicle/types-of-electric-vehicle/ ("**Sustainable Energy Authority of Ireland 2017**");
- U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2022", dated September 13, 2022. Available at https://www.bls.gov/news.release/pdf/cpi.pdf ("**U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2022"**");
- U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2021", dated September 14, 2021. Available at https://www.bls.gov/news.release/archives/cpi_09142021.pdf ("**U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2021"**");
- U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2020", dated September 11, 2020. Available at https://www.bls.gov/news.release/archives/cpi_09112020.htm ("**U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2020"**");
- U.S. Office of Energy Efficiency and Renewable Energy, "*Internal Combustion Engine Basics*", dated November 22, 2013, available at https://www.energy.gov/eere/vehicles/articles/internal-combustion-engine-basics ("**U.S. Office of Energy Efficiency and Renewable Energy November 2013**"); and
- World Bank, "*Global Economic Prospects June 2022*". Available at https://openknowledge.worldbank.org/bitstream/handle/10986/37224/Global-Economic-Prospects-June-2022-Global-Outlook.pdf ("**World Bank, "Global Economic Prospects June"**").

It should be noted, in particular, that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the aforementioned sources.

Third-party sources generally state that the information they contain originates from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on assumptions.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Banks (see "*2.1 Responsibility for the Contents of this Prospectus*"), neither the Company nor the Banks have independently verified the market data and other information contained in the third party sources or on which third parties have based their studies or the external sources on which the Company's own estimates are based or make any representation or give any warranty as to the accuracy or completeness of such information. The information from third-party sources that is cited here has been reproduced accurately. As far as the Company is aware and is able to ascertain from information published by the respective third party, no facts have been omitted that would render the reproduced information, included in this Prospectus, inaccurate or misleading.

Prospective investors are, nevertheless, advised to consider these data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. The fact that information from the aforementioned third-party sources has been included in this Prospectus should not be considered as a recommendation by the relevant third parties to invest in, purchase, or take any other action with respect to, shares in the Company.

Information contained on any website mentioned in this Prospectus, including any website of the Company or the Group, is not incorporated by reference in this Prospectus and is not part of this Prospectus.

2.7 Documents Available for Inspection

For the period during which this Prospectus is valid, the following documents, or copies thereof, will be available for inspection on the Company's website at investorrelations.porsche.com:

- the Company's Articles of Association ("**Articles of Association**");
- the Unaudited Condensed Consolidated Interim Financial Statements;
- the Audited Consolidated Financial Statements;
- the Audited Unconsolidated Financial Statements; and
- translations of the summaries of the Prospectus in French, Italian and Spanish.

The future consolidated financial statements and half-year condensed consolidated interim financial statements of the Company, as well as annual financial statements of the Company, will also be made available on the Company's website after the commencement of trading of the Preferred Shares on the Frankfurt Stock Exchange. The Company's future consolidated financial statements and annual financial statements will also be published in the German Federal Gazette (*Bundesanzeiger*).

Information on the Company's website at www.porsche.com, investorrelations.porsche.com and on the websites of any of its affiliates, and information accessible via these websites, is neither part of nor incorporated by reference into this Prospectus.

2.8 Note on Currency

The following table explains the denotation of currencies used in this Prospectus:

Symbol used	Legal currency of
"**EUR**", "**€**" or "**Euro**"	the participating member states in the third stage of the European Economic Union pursuant to the Treaty establishing the European Community
"**USD**", "**$**" or "**U.S. Dollar**" . . .	United States of America

The abbreviation "t" preceding currency data stands for "thousand", the abbreviation "m" stands for "million" and the abbreviation "bn" stands for billion.

2.9 Non IFRS Financial Measures (Alternative Performance Measures)

2.9.1 Overview

In accordance with the Commission Delegated Regulation (EU) 2016/301 and the European Securities and Markets Authority ("**ESMA**") Guidelines published on October 5, 2015 (the "**ESMA Guidelines**"), the following list sets out information related to certain financial measures of the Group that are not required by, or not presented in accordance with, IFRS, which the Group regards as alternative performance measures ("**APMs**") within the meaning of the ESMA Guidelines:

- Return on Sales
- Gross Margin
- Capitalization Ratio
- Capital Expenditure
- Net selling, general and administrative expenses ("**Net SG&A Expenses**")
- Net SG&A Ratio
- Automotive Return on Sales
- Automotive EBITDA
- Automotive EBITDA Margin
- Automotive Return on Investment
- Automotive Net Cash Flow
- Automotive Net Cash Flow Margin
- Automotive Net Liquidity
- Automotive Trade Working Capital
- Automotive Capital Expenditure
- Automotive BEV & PHEV Related Investments
- Automotive Investments
- Automotive Total Product Investments
- Financial Services Return on Sales
- Financial Services Return on Assets
- Financial Services Return on Equity before Tax
- Financial Services Equity Ratio

For a definition of these APMs and a reconciliation of each APM to the nearest financial measure presented in accordance with IFRS, see "*2.9.2 Reconciliation and Relevance*".

These APMs are presented as (i) they are used by the Company's management to measure operating performance and liquidity and identify trends, including in presentations to the Executive Board and the Supervisory Board, and as a basis for making strategic decisions, and/or (ii) management believes that these financial measures provide an enhanced understanding of the Group's underlying results, financial condition and related trends, and/or (iii) management believes they represent similar financial measures that are widely used by securities analysts, investors and other interested parties as supplemental financial measures of operating and financial performance. These APMs may enhance management's and investors' understanding of the Group's financial performance and liquidity by excluding items that are outside of the Group's ongoing operations.

However, these APMs are not financial measures based on IFRS and should not be considered as an alternative to the financial results or other indicators of the Group's performance based on IFRS financial measures. They should not be considered as alternatives to profit after tax or operating profit as indicators of the Group's performance or profitability or as alternatives to cash flows from operating, investing or financing activities as an indicator of the Group's liquidity. The APMs, as defined by the Company, may not be comparable to similarly titled financial measures as presented by other companies due to differences in the way the Group's APMs are calculated. Even though the APMs are used by management to assess ongoing operating performance and liquidity and these types of financial measures are commonly used by investors, they have important limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of the Group's results or cash flows as reported under IFRS.

Limitations on the APMs include, but are not limited to, the following:

- they exclude certain tax payments that may represent a reduction in cash available to the Group;
- they do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future; and
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Group's debts.

The table below sets out the APMs that are based on the Consolidated Financial Statements, the Company's accounting records and also partially from the Company's internal management or controlling systems as of the reporting dates and for the reporting periods indicated.

	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(unaudited, unless otherwise indicated)*		
	(EUR millions, unless otherwise indicated)				
Return on Sales[(1)]	19.4%	16.9%	16.0%	14.6%	15.4%
Gross Margin[(2)]	28.2%	27.2%	26.7%	26.3%	25.5%
Capitalization Ratio[(3)]	75.6%	62.5%	66.2%	54.6%	43.8%
Capital Expenditure[(4)]	456	556	1,442	1,547	2,044
Net SG&A Expenses[(5)]	1,573	1,697	3,543	3,363	3,400
Net SG&A Ratio[(6)]	8.8%	10.3%	10.7%	11.7%	11.9%
Automotive Return on Sales[(7)]	19.9%	17.6%	16.6%	15.4%	16.2%
Automotive EBITDA[(8)]	4,341	3,854	7,420	6,391	6,318
Automotive EBITDA Margin[(9)]	26.4%	25.5%	24.5%	24.5%	24.2%
Automotive Return on Investment[(10)]	—	—	21.3%	18.1%	18.5%
Automotive Net Cash Flow[(11)]	2,389	2,601	3,676	2,198	1,491
Automotive Net Cash Flow Margin[(12)]	14.5%	17.2%	12.1%	8.4%	5.7%
Automotive Net Liquidity[(13)]	5,597	3,890	4,970	2,961	1,785
Automotive Trade Working Capital[(14)]	3,249	—	3,457	2,943	2,263
Automotive Capital Expenditure[(15)]	427	545	1,378	1,478	1,992
Automotive BEV & PHEV Related Investments[(16)]	1,048	896	1,781	1,812	1,707
Automotive Investments[(17)]	1,731	1,800	3,795	3,721	4,161
Automotive Total Product Investments[(18)]	1,539	1,596	3,179	3,122	3,653
Financial Services Return on Sales[(19)]	13.4%	9.8%	10.0%	6.7%	7.4%
Financial Services Return on Assets[(20)]	—	—	3.3%	2.3%	2.6%
Financial Services Return on Equity before Tax[(21)]	—	—	21.2%	14.7%	16.7%
Financial Services Equity Ratio[(22)]	17.4%	—	15.3%	15.4%	16.1%

Notes:

(1) Return on Sales is defined as the ratio of Group operating profit excluding the diesel issue penalty notice in 2019 to Group sales revenue. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. For more information, see "*10.6.17 Diesel Issue Penalty Notice in 2019*".

(2) Gross Margin is defined as the ratio of Group gross profit to Group sales revenue.

(3) Capitalization Ratio is defined as Group investment in capitalized development costs divided by Group research and development costs (without amortization).

(4) Capital Expenditure is defined as Group additions (cost) to intangible assets (excluding capitalized development costs) and to property, plant and equipment (excluding right-of-use assets).

(5) Net SG&A Expenses is defined as the sum of Group distribution expenses, administrative expenses and other operating expenses net of other operating income.

(6) Net SG&A Ratio is defined as the ratio of Net SG&A Expenses to Group sales revenue.

(7) Automotive Return on Sales is defined as the ratio of Automotive operating profit excluding the diesel issue penalty notice in 2019 to Automotive sales revenue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. For more information, see "*10.6.17 Diesel Issue Penalty Notice in 2019*".

(8) Automotive EBITDA is defined as Automotive operating profit excluding the diesel issue penalty notice in 2019 before depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs and other intangible assets, each in the Automotive segment. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. For more information, see "*10.6.17 Diesel Issue Penalty Notice in 2019*".

(9) Automotive EBITDA Margin is defined as the ratio of Automotive EBITDA (as defined above) to Automotive sales revenue.

(10) Automotive Return on Investment is defined as the ratio of Automotive operating profit after tax to average assets invested in the Automotive segment. Average assets invested in the Automotive segment is defined as total Automotive operating assets (property, plant and equipment, intangible assets, inventories and receivables) less Automotive non-interest-bearing liabilities (trade payables and payments on account received) at the beginning and end of the reporting period. Automotive Return on Investment for the years ended December 31, 2021, 2020 and 2019 is audited. The Group does not present Automotive Return on Investment for half-year periods as it is an annual measure of performance.

(11) Automotive Net Cash Flow is defined as cash flows from operating activities of the Automotive segment less cash flows from investing activities of current operations of the Automotive segment. The investing activities of current operations exclude the changes in investments in securities, loans and time deposits of the Automotive segment.

(12) Automotive Net Cash Flow Margin is defined as the ratio of Automotive Net Cash Flow (as defined above) to Automotive sales revenue.

(13) Automotive Net Liquidity is defined as the total of cash and cash equivalents, securities, loans and time deposits net of third-party borrowings (non-current and current financial liabilities) of the Automotive segment. Automotive cash and cash equivalents include EUR 1,501 million of cash and cash equivalents that are classified as assets held for distribution as of June 30, 2022.

(14) Automotive Trade Working Capital is defined as the sum of the closing balances of Automotive inventories and Automotive trade receivables minus the closing balance of Automotive trade payables.

(15) Automotive Capital Expenditure is defined as additions (cost) to intangible assets (excluding capitalized development costs) and to property, plant and equipment (excluding right-of-use-assets) in the Automotive segment.

(16) Automotive BEV & PHEV Related Investments is defined as Automotive BEV & PHEV related research and development costs (without amortization) plus Automotive BEV & PHEV related capital expenditure. The APM is not calculated in accordance with the EU Taxonomy Regulation.

(17) Automotive Investments is defined as the sum of Automotive research and development costs (without amortization) and Automotive Capital Expenditure.

(18) Automotive Total Product Investments is defined as the sum of Automotive research and development costs (without amortization) and Automotive product-related Capital Expenditure.

(19) Financial Services Return on Sales is defined as the ratio of Financial Services operating profit to Financial Services sales revenue.

(20) Financial Services Return on Assets is defined as Financial Services profit before tax divided by Financial Services average total assets. Financial Services average total assets is calculated as the average Financial Services total assets at the beginning and end of the reporting period. The Group does not present Financial Services Return on Assets for half-year periods as it is an annual measure of performance.

(21) Financial Services Return on Equity before Tax is defined as Financial Services profit before tax divided by Financial Services average equity. Financial Services average equity is calculated as the average Financial Services equity at the beginning and end of the reporting period. The Group does not present Financial Services Return on Equity before Tax for half-year periods as it is an annual measure of performance.

(22) Financial Services Equity Ratio is defined as Financial Services equity divided by Financial Services total assets.

2.9.2 Reconciliation and Relevance

2.9.2.1 Return on Sales

"**Return on Sales**" is defined as the ratio of Group operating profit excluding the diesel issue penalty notice in 2019 to Group sales revenue. In 2019 the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. The Company believes that Return on Sales is a meaningful financial measure because it is used by the Group's management to evaluate the operating profitability of the Group.

The table below shows the reconciliation of the APM Return on Sales for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR million, unless otherwise indicated)				
Operating profit	3,480	2,792	5,314	4,177	3,862
Diesel issue penalty notice in 2019	—	—	—	—	535
Operating profit excluding the diesel issue penalty notice in 2019 (*unaudited*)	—	—	—	—	4,397
/Sales revenue	17,922	16,525	33,138	28,695	28,518
Return on Sales (*unaudited*)	**19.4%**	**16.9%**	**16.0%**	**14.6%**	**15.4%**

2.9.2.2 Gross Margin

"**Gross Margin**" is defined as the ratio of Group gross profit to Group sales revenue. The Company believes that Gross Margin is a meaningful financial measure because it is used by investors to compare gross profitability within the industry.

The table below shows the reconciliation of the APM Gross Margin for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR million, unless otherwise indicated)				
Gross profit(1)	5,053	4,489	8,857	7,540	7,262
/Sales revenue	17,922	16,525	33,138	28,695	28,518
Gross Margin (*unaudited*)(1)	**28.2%**	**27.2%**	**26.7%**	**26.3%**	**25.5%**

Note:

(1) For the purposes of the Audited 2021 Consolidated Financial Statements, the Company reclassified certain expenses within cost of sales, administrative expenses and other operating expenses. In order to present the prior-year 2020 financial information within the Audited 2021 Consolidated Financial Statements on a comparable basis, the Company adjusted cost of sales, administrative expenses and other operating expenses for the prior-year 2020. The financial information for 2020 has been taken from the adjusted prior-year figures in the Audited 2021 Consolidated Financial Statements. As a result, gross profit and Gross Margin for 2021 and 2020 are not directly comparable to the equivalent financial measures for 2019 presented in this Prospectus. For information on the adjustments, see "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*".

2.9.2.3 Capitalization Ratio

"**Capitalization Ratio**" is defined as Group investment in capitalized development costs divided by Group research and development costs (without amortization). The Company believes that Capitalization Ratio is a meaningful measure because it is used to evaluate the Group's ratio of investments in development costs for which a specific and profitable marketing opportunity is seen in relation to the Group's total research and development costs (without amortization).

The table below shows the reconciliation of the APM Capitalization Ratio for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR million, unless otherwise indicated)				
Investment in capitalized development costs	985	784	1,601	1,225	949
/Research and development costs (without amortization)	1,304	1,255	2,417	2,243	2,169
Capitalization Ratio *(unaudited)*	**75.6%**	**62.5%**	**66.2%**	**54.6%**	**43.8%**

2.9.2.4 Capital Expenditure

"**Capital Expenditure**" is defined as Group additions (cost) to intangible assets (excluding capitalized development costs) and to property, plant and equipment (excluding right-of-use assets). The Company believes that Capital Expenditure is a meaningful financial measure because it provides investors with information about the innovative power and the future competitiveness of Group's business.

The table below shows the reconciliation of the APM Capital Expenditure as of the reporting dates indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR million)				
Additions (cost) to intangible assets (excluding capitalized development costs)	113	106	286	305	238
Additions (cost) to property, plant and equipment (excluding right-of-use assets) (*unaudited*)	344	450	1,156	1,242	1,806
Capital Expenditure (*unaudited*)	**456**	**556**	**1,442**	**1,547**	**2,044**

2.9.2.5 Net SG&A Expenses and Net SG&A Ratio

"**Net SG&A Expenses**" is defined as the sum of the Group distribution expenses, administrative expenses and other operating expenses net of other operating income. "**Net SG&A Ratio**" is defined as the ratio of Net SG&A Expenses to Group sales revenue. The Company believes that Net SG&A Expenses and Net SG&A Ratio are meaningful financial measures because they provide investors with information about the expenses which are not directly linked to Group sales revenue.

The table below shows the reconciliation of the APMs Net SG&A Expenses and Net SG&A Ratio for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR million, unless otherwise indicated)				
Distribution expenses	956	957	2,111	1,881	2,044
Administrative expenses[(1)]	766	722	1,426	1,255	1,029
Other operating expenses[(1)]	841	459	1,085	1,180	1,173
Other operating income	(990)	(441)	(1,079)	(953)	(846)
Net SG&A Expenses *(unaudited)*[(1)]	**1,573**	**1,697**	**3,543**	**3,363**	**3,400**
/Sales revenue	17,922	16,525	33,138	28,695	28,518
Net SG&A Ratio *(unaudited)*[(1)]	**8.8%**	**10.3%**	**10.7%**	**11.7%**	**11.9%**

Note:

(1) For the purposes of the Audited 2021 Consolidated Financial Statements, the Company reclassified certain expenses within cost of sales, administrative expenses and other operating expenses. In order to present the prior-year 2020 financial information within the Audited 2021 Consolidated Financial Statements on a comparable basis, the Company adjusted cost of sales, administrative expenses and other operating expenses for the prior-year 2020. The financial information for 2020 has been taken from the adjusted prior-year figures in the Audited 2021 Consolidated Financial Statements. As a result, cost of sales, administrative expenses and other operating expenses within the financial information for 2021 and 2020 are not directly comparable to the equivalent line items for 2019 presented in this Prospectus. As a result, Net SG&A Expenses and Net SG&A Ratio for 2021 and 2020 are not directly comparable to the equivalent financial measures for 2019 presented in the Prospectus. For information on the adjustments, see "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*".

2.9.2.6 Automotive Return on Sales

"**Automotive Return on Sales**" is defined as the ratio of Automotive operating profit excluding the diesel issue penalty notice in 2019 to Automotive sales revenue. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. The Company believes that Automotive Return on Sales is a meaningful financial measure, because it is used by the Group's management to evaluate the operating profitability of the Automotive segment.

The table below shows the reconciliation of the APM Automotive Return on Sales for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited) *(EUR million, unless otherwise indicated)*				
Automotive segment					
Operating profit	3,261	2,661	5,033	4,022	3,676
Diesel issue penalty notice in 2019	—	—	—	—	535
Operating profit excluding the diesel issue penalty notice in 2019	—	—	—	—	4,211
/Sales revenue	16,425	15,107	30,289	26,086	26,060
Automotive Return on Sales	**19.9%**	**17.6%**	**16.6%**	**15.4%**	**16.2%**

2.9.2.7 Automotive EBITDA and Automotive EBITDA Margin

Automotive earnings before interest, taxes, depreciation and amortization ("**Automotive EBITDA**") is defined as Automotive operating profit excluding the diesel issue penalty notice in 2019 before depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs and other intangible assets, each in the Automotive segment. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. "**Automotive EBITDA Margin**" is defined as the ratio of Automotive EBITDA to Automotive sales revenue. The Company believes that Automotive EBITDA and Automotive EBITDA Margin are meaningful financial measures to evaluate the Automotive's operating performance over time. The Company understands that these financial measures are also broadly used by analysts, rating agencies and investors in assessing other companies' operating performance. The Company believes the presentation of Automotive EBITDA and Automotive EBITDA Margin provides useful information on how the Automotive segment has developed in its markets and enhances the ability of its investors to compare its profitability over time.

The table below shows the reconciliation of the APMs Automotive EBITDA and Automotive EBITDA Margin for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited) *(EUR million, unless otherwise indicated)*				
Automotive segment					
Operating profit	3,261	2,661	5,033	4,022	3,676
Diesel issue penalty notice in 2019	—	—	—	—	535
Operating profit excluding the diesel issue penalty notice in 2019	—	—	—	—	4,211
Depreciation, amortization on property, plant and equipment, capitalized development costs and other intangible assets	1,080	1,193	2,373	2,361	2,107
Impairment losses / (reversals of impairment losses) on property, plant and equipment, capitalized development costs and other intangible assets	—	—	14	8	—
Automotive EBITDA	**4,341**	**3,854**	**7,420**	**6,391**	**6,318**
/Sales revenue	16,425	15,107	30,289	26,086	26,060
Automotive EBITDA margin	**26.4%**	**25.5%**	**24.5%**	**24.5%**	**24.2%**

2.9.2.8 Automotive Return on Investment

"**Automotive Return on Investment**" is defined as the ratio of Automotive operating profit after tax to average assets invested in the Automotive segment. Average assets invested in the Automotive segment is defined as total Automotive operating assets (property, plant and equipment, intangible assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received) at the beginning and end of the reporting period. The Group does not present Automotive Return on Investment for half-year periods as it is an annual measure of performance. The Company believes that Automotive Return on

Investment is a meaningful financial measure because it provides useful information for the strategic and operational management of the Automotive segment to evaluate the financial success.

The table below shows the reconciliation of the APM Automotive Return on Investment for the reporting periods indicated.

	For the Year Ended December 31,		
	2021	2020	2019
	(audited) (EUR million, unless otherwise indicated)		
Automotive segment			
Operating profit after tax	3,523	2,815	2,573
/Assets invested (average)	16,513	15,542	13,934
Automotive Return on Investment	**21.3%**	**18.1%**	**18.5%**

2.9.2.9 Automotive Net Cash Flow and Automotive Net Cash Flow Margin

"**Automotive Net Cash Flow**" is defined as cash flows from operating activities of the Automotive segment less cash flows from investing activities of current operations of the Automotive segment. The investing activities of current operations exclude the changes in investments in securities, loans and time deposits of the Automotive segment. "**Automotive Net Cash Flow Margin**" is defined as the ratio of Automotive Net Cash Flow to Automotive sales revenue. The Company believes that Automotive Net Cash Flow and Automotive Net Cash Flow Margin are meaningful financial measures because they provide the Group's management as well as investors an indication of the cash generating ability of the Automotive segment and what excess funds are available for dividend payments.

The table below shows the reconciliation of the APMs Automotive Net Cash Flow and Automotive Net Cash Flow Margin for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited) (EUR million, unless otherwise indicated)				
Automotive segment					
Cash flows from operating activities	4,167	4,065	7,010	4,900	4,484
Cash flows from investing activities	(815)	(3,699)	(5,898)	(2,869)	(3,559)
Changes in investments in securities, loans and time deposits	(962)	2,235	2,564	167	565
Automotive Net Cash Flow	**2,389**	**2,601**	**3,676**	**2,198**	**1,491**
/Sales revenue	16,425	15,107	30,289	26,086	26,060
Automotive Net Cash Flow Margin	**14.5%**	**17.2%**	**12.1%**	**8.4%**	**5.7%**

2.9.2.10 Automotive Net Liquidity

"**Automotive Net Liquidity**" is defined as the total of cash and cash equivalents, securities, loans and time deposits net of third-party borrowings (non-current and current financial liabilities) of the Automotive segment. The Company believes that Automotive Net Liquidity is a meaningful financial measure because it represents the excess funds from operating activities for future investments and dividend payments.

The table below shows the reconciliation of the APM Automotive Net Liquidity as of the reporting dates indicated.

	As of June 30,		As of December 31,		
	2022	2021	2021	2020	2019
	(unaudited) (EUR million)				
Automotive segment					
Cash and cash equivalents	5,734(1)	3,460	4,602	4,929	3,608
Securities, loans and time deposits	2,760	3,526	3,790	1,276	1,182
Third-party borrowings	(2,897)	(3,097)	(3,422)	(3,244)	(3,004)
Automotive Net Liquidity	**5,597**	**3,890**	**4,970**	**2,961**	**1,785**

Note:

(1) Automotive cash and cash equivalents include EUR 1,501 million of cash and cash equivalents that are classified as assets held for distribution as of June 30, 2022.

2.9.2.11 Automotive Trade Working Capital

"**Automotive Trade Working Capital**" is defined as the sum of the closing balances of Automotive inventories and Automotive trade receivables minus the closing balance of Automotive trade payables. The Company believes that Automotive Trade Working Capital is a meaningful financial measure because it measures the Group's ability to meet its short-term obligations, both expected and unexpected, and is therefore useful to both investors and the Group's management.

The table below shows the reconciliation of the APM Automotive Trade Working Capital as of the reporting dates indicated.

	As of June 30,		As of December 31,	
	2022	2021	2020	2019
	(unaudited) (EUR million)			
Automotive segment				
Inventories	5,203	4,480	4,068	3,960
Trade receivables	1,086	1,296	1,106	858
Trade payables	(3,040)	(2,319)	(2,231)	(2,555)
Automotive Trade Working Capital	**3,249**	**3,457**	**2,943**	**2,263**

2.9.2.12 Automotive Capital Expenditure

"**Automotive Capital Expenditure**" is defined as additions (cost) to intangible assets (excluding capitalized development costs), and to property, plant and equipment (excluding right-of-use assets) in the Automotive segment. The Company believes that Automotive Capital Expenditure is a meaningful financial measure because it provides investors with information about the innovative power and the future competitiveness of the Automotive segment.

The table below shows the reconciliation of the APM Automotive Capital Expenditure for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Six Months Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited) (EUR million)				
Automotive segment					
Additions (cost) to intangible assets (excluding capitalized development costs)	110	105	282	300	233
Additions (cost) to property, plant and equipment (excluding right-of-use assets)	317	440	1,095	1,178	1,759
Automotive Capital Expenditure	**427**	**545**	**1,378**	**1,478**	**1,992**

2.9.2.13 Automotive BEV & PHEV Related Investments

"**Automotive BEV & PHEV Related Investments**" is defined as the sum of total Automotive BEV & PHEV-related research and development costs (without amortization) and Automotive BEV & PHEV-related Capital Expenditure. The APM is not calculated in accordance with the EU Taxonomy Regulation. The Company believes that Automotive BEV & PHEV Related Investments is a meaningful financial measure because it provides information about the share of Automotive BEV & PHEV growth in the Automotive segment.

The table below shows the reconciliation of the APM Automotive BEV & PHEV Related Investments for the reporting periods indicated and is derived from the Company's internal management or controlling systems and partially from the Company's accounting records.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
			(unaudited) *(EUR million)*		
Automotive segment					
Research and development costs (without amortization)	1,304	1,255	2,417	2,243	2,169
ICE research and development costs (without amortization)[1]	(351)	(519)	(1,000)	(1,004)	(1,310)
Total BEV & PHEV-related research and development costs (without amortization)	**953**	**736**	**1,417**	**1,239**	**859**
Automotive Capital Expenditure[2]	427	545	1,378	1,478	1,992
ICE Capital Expenditure[3]	(140)	(180)	(397)	(305)	(637)
Other non-BEV & PHEV Capital Expenditure[4]	(193)	(205)	(617)	(600)	(507)
BEV & PHEV-related Capital Expenditure	**95**	**160**	**364**	**573**	**848**
Automotive BEV & PHEV Related Investments	**1,048**	**896**	**1,781**	**1,812**	**1,707**

Notes:

(1) ICE research and development costs (without amortization) includes all research and development costs associated with internal combustion engines.

(2) Automotive Capital Expenditure refers to additions (cost) to intangible assets (excluding capitalized development costs) and to property, plant and equipment (excluding right-of-use assets) in the Automotive segment.

(3) ICE Capital Expenditure includes additions (cost) to intangible assets (excluding capitalized development costs) and to property, plant and equipment (excluding right-of-use assets) associated with internal combustion engine.

(4) Other non—BEV & PHEV Capital Expenditure includes base load Capital Expenditure, which includes measures that cannot be directly attributed to a vehicle project (social issues, environmental protection, fire protection and legal requirements, replacement investments, rationalization, quality, sales and marketing, development and dealer network), IT-investments/digitalization and CO_2-credits.

2.9.2.14 Automotive Investments and Automotive Total Product Investments

"**Automotive Investments**" is defined as the sum of Automotive research and development costs (without amortization) and Automotive Capital Expenditure. "**Automotive Total Product Investments**" is defined as the sum of Automotive research and development costs (without amortization) and Automotive product-related Capital Expenditure. The Company believes that Automotive Investments and Automotive Total Product Investments are meaningful financial measures because they are used to evaluate the Automotive segment's activities with respect to product technology and infrastructure.

The table below shows the reconciliation of the APMs Automotive Investments and Automotive Total Product Investments for the reporting periods indicated and is derived from the Company's internal management or controlling systems and partially from the Company's accounting records.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
			(unaudited) *(EUR million)*		
Automotive segment					
Research and development costs (without amortization)	1,304	1,255	2,417	2,243	2,169
Automotive Capital Expenditure[1]	427	545	1,378	1,478	1,992
Automotive Investments	**1,731**	**1,800**	**3,795**	**3,721**	**4,161**
Product-related Capital Expenditure	235	341	761	878	1,485
Automotive Total Product Investments	**1,539**	**1,596**	**3,179**	**3,122**	**3,653**

Note:

(1) Automotive Capital Expenditure refers to additions (cost) to intangible assets (excluding capitalized development costs), and to property, plant and equipment (excluding right-of-use assets) in the Automotive segment.

2.9.2.15 Financial Services Return on Sales

"**Financial Services Return on Sales**" is defined as the ratio of Financial Services operating profit to Financial Services sales revenue. The Company believes that Financial Services Return on Sales is a meaningful financial measure because it is used by investors to evaluate the operating profitability of the Financial Services segment.

The table below shows the reconciliation of the APM Financial Services Return on Sales for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited) *(EUR million, unless otherwise indicated)*				
Financial Services segment					
Operating profit	216	151	313	191	198
/Sales revenue	1,616	1,543	3,127	2,837	2,688
Financial Services Return on Sales	**13.4%**	**9.8%**	**10.0%**	**6.7%**	**7.4%**

2.9.2.16 Financial Services Return on Assets

"**Financial Services Return on Assets**" is defined as Financial Services profit before tax divided by Financial Services average total assets. Financial Services average total assets is calculated as the average of Financial Services total assets at the beginning and the end of the reporting period. The Group does not present Financial Services Return on Assets for half-year periods as it is an annual measure of performance. The Company believes that Financial Services Return on Assets is a meaningful financial measure because it provides investors with information about the profitability in relation to the total assets.

The table below shows the reconciliation of the APM Financial Services Return on Assets for the reporting periods indicated.

	For the Year Ended December 31,		
	2021	2020	2019
	(unaudited) *(EUR million, unless otherwise indicated)*		
Financial Services segment			
Profit before tax	314	192	203
/Average total assets	9,653	8,303	7,702
Financial Services Return on Assets	**3.3%**	**2.3%**	**2.6%**

2.9.2.17 Financial Services Return on Equity before Tax

"**Financial Services Return on Equity before Tax**" is defined as Financial Services profit before tax divided by Financial Services average equity. Financial Services average equity is calculated as the Financial Services equity at the beginning and end of the reporting period. The Group does not present Financial Services Return on Equity before Tax for half-year periods as it is an annual measure of performance. The Company believes that Financial Services Return on Equity before Tax is a meaningful financial measure because it is used by the Group's management to evaluate the operating performance of its Financial Services segment and how efficiently the segment utilizes its equity to generate profits.

The table below shows the reconciliation of the APM Financial Services Return on Equity before Tax for the reporting periods indicated.

	For the Year Ended December 31,		
	2021	2020	2019
	(audited, unless otherwise indicated) *(EUR million, unless otherwise indicated)*		
Financial Services segment			
Profit before tax	314	192	203
/Average equity	1,482	1,308	1,215
Financial Services Return on Equity before Tax (*unaudited*)	**21.2%**	**14.7%**	**16.7%**

2.9.2.18 Financial Services Equity Ratio

"**Financial Services Equity Ratio**" is defined as Financial Services equity divided by Financial Services total assets. The Company believes that Financial Services Equity Ratio is a meaningful financial measure because it serves the investor as an indicator of stability and financial strength of the Company and shows the degree of financial independence.

The table below shows the reconciliation of the APM Financial Services Equity Ratio as of the reporting dates indicated.

	As of June 30,	As of December 31,		
	2022	2021	2020	2019
	(unaudited) (EUR million, unless otherwise indicated)			
Financial Services segment				
Equity	1,964	1,625	1,339	1,277
/Total assets	11,260	10,629	8,676	7,930
Financial Services Equity Ratio	**17.4%**	**15.3%**	**15.4%**	**16.1%**

2.10 Rounding and Negative Numbers

Unless otherwise indicated, financial information presented in the text and tables in this Prospectus is shown in billion or million Euro, rounded to a whole number. Changes, percentage changes and ratios in the text and tables of this Prospectus are rounded to the nearest whole number or one decimal place, as applicable. Because of rounding, figures shown in this Prospectus do not necessarily add up exactly to the respective totals or sub-totals presented, and aggregated percentages may not exactly equal 100%. Furthermore, these rounded figures may vary marginally from unrounded figures that may be indicated elsewhere in this Prospectus. The financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") or nil signifies that the relevant figure is available but has been rounded to or equals zero.

2.11 Time Specifications

References to "**CET**" in this Prospectus refer to Central European Time or Central European Summertime, as the case may be. References to time in this Prospectus refer to CET unless stated otherwise.

2.12 Enforcement of Civil Liabilities

The Company is a stock corporation (*Aktiengesellschaft*) governed by German law and the majority of its assets are located outside the United States. In addition, the majority of the members of the Executive Board and the Supervisory Board are non-residents of the United States and substantially all of their assets are located outside the United States.

As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against them or the Company judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof. The United States and Germany do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon United States' federal securities laws, may not be enforceable, either in whole or in part, in Germany. Furthermore, mandatory provisions of German law may apply regardless of any other law that would otherwise apply.

However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates, and a German court may choose to rehear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Germany.

3 THE OFFERING

3.1 Subject Matter of the Offering

The offering (the "**Offering**") of non-voting preferred bearer shares of the Company with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*), each representing a notional share of EUR 1.00 in the Company's share capital per no-par value share (referenced as capital stock in the Audited Unconsolidated Financial Statements), consists of:

- 99,021,740 Base Shares; and
- 14,853,260 Over-Allotment Shares.

The Offer Shares will be offered through an initial public offering in Germany, Austria, France, Italy and Spain.

In addition, the Offer Shares may be sold through a public offering in Switzerland in reliance on and pursuant to article 54(2) of the Swiss Financial Services Act dated June 15, 2018. UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland ("**UBS**") has been engaged as selling agent by the Company, the Selling Shareholder and Volkswagen AG in connection with the offering of the Offer Shares to private investors in Switzerland.

The Offer Shares may also be sold through private placements in certain jurisdictions. In the United States, the Offer Shares will only be offered and sold to qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"), in transactions exempt from the registration requirements of the Securities Act. Outside the United States, the Offer Shares will only be offered and sold in offshore transactions in compliance with Regulation S under the Securities Act ("**Regulation S**").

The Offer Shares have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction of the United States and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

As of the date of this Prospectus, Volkswagen AG owns indirectly through the Selling Shareholder 100% of the Ordinary Shares and 100% of the Preferred Shares. The Company will not receive any proceeds from the sale of the Offer Shares. Volkswagen AG will receive the proceeds from the sale of the Base Shares and the Over-Allotment Shares, if and to the extent that the Greenshoe Option in relation to the Over-Allotment Shares is exercised. For a detailed description of the shareholder structure following the Offering, see "*15 Shareholder Information*".

BofA Securities, Citigroup, Goldman Sachs and J.P. Morgan are acting as Joint Global Coordinators, BNP PARIBAS, Deutsche Bank and Morgan Stanley are acting as Senior Joint Bookrunners, Santander, Barclays, Société Générale and UniCredit Bank AG are acting as Joint Bookrunners and COMMERZBANK, Crédit Agricole CIB, LBBW and Mizuho are acting as Co-Lead Managers. The Joint Global Coordinators, the Senior Joint Bookrunners, the Joint Bookrunners and the Co-Lead Managers are acting together as the Banks.

In making an investment decision, each investor must rely on their own examination, analysis and inquiry of the Company and the terms of the Offering, including the merits and risks involved. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholder or any of the Banks or any of their respective representatives or affiliates that any recipient of this document should purchase the Preferred Shares.

None of the Company, the Selling Shareholder, Volkswagen AG or the Banks, or any of their respective affiliates, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Preferred Shares by such offeree or purchaser. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

The investors also acknowledge that: (i) they have not relied on the Banks or any person affiliated with the Banks in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) that no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the Selling Shareholder or the Banks or their respective affiliates.

3.2 Price Range, Offer Period, Offer Price and Allotment and Payment

The Price Range for the Offering in which purchase orders may be placed is EUR 76.50 to EUR 82.50 per Offer Share (the "**Price Range**").

The period during which investors may submit purchase orders for the Offer Shares is expected to commence on September 20, 2022 and to expire on September 28, 2022 (the "**Offer Period**"). Offers to purchase Offer Shares may be submitted (i) until 12:00 p.m. (noon) (CET) by private investors, and (ii) until 2:00 p.m. (CET) by institutional investors on the last day of the Offer Period.

The following Banks and their specified affiliates have declared to be able to accept orders from private investors. Orders placed by private investors through non-syndicate banks will be subject to the discretionary allocation process and hence may receive smaller allocations on a relative basis, if any.

- **Germany**: Private investors in Germany will be able to place their order through one of the following banks: Baden-Württembergische (BW) Bank, COMMERZBANK AG (incl. comdirect), Consorsbank, DAB, BNP Paribas, Deutsche Bank AG, at most saving banks of Deutsche Sparkassen/S-Finanzgruppe e.V., Landesbank Baden-Württemberg, maxblue, S Broker AG & Co. KG, UniCredit Bank AG.
- **Austria**: Private investors in Austria will be able to place their order through one of the following banks: Schoellerbank AG, UniCredit Bank Austria AG.
- **France**: Private investors in France will be able to place their order through one of the following banks: BNP Paribas, Boursorama Banque, Crédit du Nord, retail networks of Crédit Agricole group, Société Générale.
- **Italy**: Private investors in Italy will be able to place their order exclusively through UniCredit S.p.A., as sole placement agent coordinated by UniCredit Bank AG, Milan Branch, as "*responsabile del collocamento*" for the public offer in Italy.
- **Spain**: Private investors in Spain will be able to place their order through Banco Santander, S.A.
- **Switzerland**: Private investors in Switzerland will be able to place their order through UBS AG.

Purchase orders by private investors should be submitted in number of Offer Shares only rather than in currency amounts and may include a price limit. Depending on the jurisdiction and bank, private investors may or may not be able to indicate a price limit for their purchase orders (as is the case in Italy or Spain). In case a price limit is not possible, purchase orders will be placed at a price equalling the high end of the Price Range. In case a price limit is allowed, price limits for purchase orders from private investors must be expressed in full EUR amounts or increments of 25, 50 or 75 cents. Should no price limit be indicated, purchase orders submitted by private investors will be valid throughout the entire Price Range.

In case a private investor does not have any relationship with the relevant Bank or their specified affiliates listed above, the private investor may be required to open a securities account and a cash account. Opening an account as well as placing a purchase order may require completing appropriate forms and/or documentation customarily required by the relevant bank.

It is expected that the Offer Price will be within the Price Range. The Price Range, which may change during the course of the Offering, is indicative only, and the Offer Price may be set within, above or below the Price Range. The Offer Price for the Offer Shares will be agreed following a bookbuilding process and published by the Company via an ad hoc announcement. Among the factors to be considered in determining the Offer Price, in addition to prevailing market conditions and demand for the Offer Shares, will be the Company's historical performance, estimates of its business potential and earnings prospects, an assessment of the Company's management and consideration of the above factors in relation to the market valuation of companies in related businesses.

Subject to the publication of a supplement to this Prospectus, if required, the Selling Shareholder and the Company after consultation with the Joint Global Coordinators, as representatives of the Banks, reserve the right to (i) increase or decrease the total number of Offer Shares, (ii) increase or decrease the upper limit and/or the lower limit of the Price Range, and/or (iii) extend or shorten the Offer Period.

Reductions in the number of Offer Shares, changes to the Price Range or an extension or shortening of the Offer Period will not invalidate any offers to purchase Offer Shares that have already been submitted. If such changes require the publication of a supplement to this Prospectus, pursuant to Article 23 para. 1 of the Prospectus Regulation in conjunction with Article 21 para. 2 of the Prospectus Regulation and Article 1 para 8 (a) of Regulation (EU) 2021/337, investors who submitted purchase orders prior to the publication of the supplement have the right, exercisable within three working days of the publication of such supplement, to withdraw their offers to purchase, provided that the significant new factor, material mistake or material inaccuracy requiring the publication of a supplement to this Prospectus arose or was noted before the closing of the Offer Period or the delivery of the Offer Shares. Instead of withdrawing their offers to purchase Offer Shares placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within three working days following the publication of the supplement.

Any changes to the terms of the Offering will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the provisions of MAR or the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as an ad hoc release via an electronic information dissemination system, on the Company's website at investorrelations.porsche.com and as a supplement to this Prospectus. Upon the occurrence or non-occurrence of certain customary events (see "*19.5 Termination and Indemnification*"), the Joint Global Coordinators, on behalf of the Banks, may terminate the underwriting agreement, entered into between the Company, the Selling Shareholder, Volkswagen AG and the Banks on September 19, 2022 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Preferred Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (see "*19.5 Termination and Indemnification*").

The Offer Price and the final number of shares placed in the Offering will be determined at the end of the bookbuilding process by the Selling Shareholder after consultation with the Company and the Joint Global Coordinators as representatives of the Banks. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during the bookbuilding process. These orders will be evaluated according to the prices offered and the expected investment horizons of the respective investors. This method of setting the number of Offer Shares that will be placed at the Offer Price is, in principle, aimed at achieving the highest possible Offer Price. Consideration will also be given to whether the Offer Price and the number of Offer Shares to be placed allow for the reasonable expectation that the share price will demonstrate a steady performance in the secondary market, given the demand for the Preferred Shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors interested in purchasing shares at a particular price, but also to the composition of the Company's shareholder structure that would be expected to result at a given price, and expected investor behavior. The Company and the Banks will not charge investors any expenses and taxes related to the Offering. Notwithstanding this, there may be expenses related to the opening of securities accounts and cash accounts at both Banks (or at their respective affiliates) as well as non-syndicate banks and custodians may charge their usual administration and custody expenses.

The Offer Price will be determined in Euros.

The Offer Price and the final number of shares placed in the Offering (*i.e.*, the results of the Offering) are expected to be published on or about September 28, 2022, by means of an ad hoc release on an electronic information dissemination system and the Company's website at investorrelations.porsche.com. Investors who have placed orders to purchase Offer Shares with one of the Banks (or one of their respective affiliates and partners listed above) can obtain information from such entity about the Offer Price and the number of Offer Shares allotted to them on the business day following the setting of the Offer Price (for further information regarding the allotment criteria see "*3.8 Allotment Criteria*"). As the commencement of trading (*Aufnahme des Handels*) of the Preferred Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange is expected to take place on the first business day following the setting of the Offer Price ("**First Trading Day**"), investors may not have obtained information about the number of Offer Shares allotted to them when trading commences. Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to take place on or about October 3, 2022. Should the placement volume prove insufficient to satisfy all orders placed at the Offer Price, the Banks reserve the right to reject orders or to only accept them in part.

3.3 Expected Timetable for the Offering

The anticipated timetable for the Offering, which may be extended or shortened and remains subject to change, is as follows:

September 19, 2022 . . .	Approval of this Prospectus by BaFin. Notification of the approved Prospectus to FMA, AMF, CONSOB and CNMV. Publication of the approved Prospectus on the Company's website at investorrelations.porsche.com.
September 19, 2022 . . .	Immediately after approval by BaFin, filing with the SIX Exchange Regulation Ltd. pursuant to article 54(2) of the Swiss Financial Services Act. For the purpose of the Offering in Switzerland, this Prospectus may also be obtained free of charge in printed form upon request from UBS AG, Investment Bank, Swiss Prospectus Switzerland, P.O. Box, 8098 Zurich Switzerland (voicemail: +41-44-239 47 03; fax number: +41-44-239 69 14; email: swiss-prospectus@ubs.com).
September 19, 2022 . . .	Application for admission of the Preferred Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.
September 20, 2022 . . .	Commencement of the Offer Period.
September 28, 2022 . . .	Expiry of the Offer Period, which will occur at (i) 12:00 p.m. (noon) (CET) for private investors, and (ii) 2:00 p.m. (CET) for institutional investors on the last day of the Offer Period. Determination of the Offer Price and the final number of Preferred Shares to be allocated. Publication of the Offer Price in the form of an ad hoc release on an electronic information dissemination system and on the Company's website at investorrelations.porsche.com.
September 28, 2022 . . .	Admission to Trading to be granted by the Frankfurt Stock Exchange.
September 29, 2022 . . .	First Trading Day
October 3, 2022	Book-entry delivery of the Offer Shares against payment of the Offer Price (closing).

This Prospectus will be published on the Company's website at investorrelations.porsche.com.

3.4 Information on the Shares

3.4.1 Share Capital; Form of the Shares

As of the date of this Prospectus, the share capital of the Company amounts to EUR 911,000,000 and is divided into 455,500,000 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) and 455,500,000 ordinary bearer shares with no par value (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*). Each share of the Company represents a notional share of EUR 1.00 in the Company's share capital per no-par value share. All shares of the Company are fully paid up.

3.4.2 Voting rights

The Preferred Shares carry no voting rights. However, holders of Preferred Shares—exceptionally—have voting rights, if the extra dividend (*Mehrdividende*) is not paid or is not fully paid out in one year (for details see "*17.1 Current Share Capital and Shares*").

Each Ordinary Share carries one vote at the Company's general shareholders' meeting. All of the Ordinary Shares confer the same voting rights. There are no restrictions on voting rights.

3.4.3 Dividend and liquidation rights

The Offer Shares carry full dividend rights in EUR as of January 1, 2022 (subject to the Porsche PLTA which will terminate pursuant to Section 307 AktG by operation of law at the end of the year ending December 31, 2022, assuming completion of the Offering (see "*14.1.5 Termination of Domination Agreement and Profit and Loss Transfer Agreement with Porsche GmbH*")). Shareholders who hold the shares on the day of the respective general meeting's resolution on which the allocation of the distributable profits is validly passed are entitled to dividend payments. Holders of Preferred Shares will receive an extra dividend (*Mehrdividende*) of EUR 0.01 per Preferred Share on top of any dividend that the Company decides to pay to its shareholders. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's Preferred Shares and Ordinary Shares in proportion to their interest in the Company's share capital.

3.4.4 Form, certification of the Preferred Shares and currency of the securities issue

The Preferred Shares will be represented by one or multiple global share certificates (the "**Global Share Certificates**"), which are or will be deposited with Clearstream Banking AG ("**Clearstream**"). There will be no separate global dividend coupon (*Globalgewinnanteilschein*) or renewal coupon (*Erneuerungsschein*).

The Articles of Association exclude the shareholders' right to receive individual share certificates to the extent permitted by law. The management is authorized to issue global certificates pursuant to the Articles of Association. All Preferred Shares provide holders thereof with the same rights and no Preferred Shares provide any additional rights or advantages other than the extra dividend (*Mehrdividende*).

The Preferred Shares are denominated in Euros.

3.4.5 Delivery and Settlement

Delivery of the Offer Shares against payment of the Offer Price and customary security commissions is expected to take place on October 3, 2022. The Offer Shares will be made available to investors as co-ownership interests in the Global Share Certificates through Clearstream.

The Offer Shares purchased in the Offering will be credited in the form of co-ownership interests in the Global Share Certificates deposited with Clearstream to a securities deposit account maintained by a German bank with Clearstream.

3.4.6 ISIN/WKN/Ticker Symbol

International Securities Identification Number ("**ISIN**")	DE000PAG9113
German Securities Code (*Wertpapierkennnummer*) ("**WKN**")	PAG911
Ticker Symbol	P911

3.5 Identification of Target Market

Solely for the purpose of the product governance requirements contained within: (i) EU Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"), (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and (iii) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (b) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, the price of the Offer Shares may decline and investors could lose all or part of their investment, the Offer Shares offer no guaranteed income and no capital protection, and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of MiFID II; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

3.6 Transferability of Preferred Shares and Lock-up

The Preferred Shares are freely transferable in accordance with the legal requirements for bearer shares (*auf den Inhaber lautende Stammaktien*). Except for the restrictions set forth in "*3.11 Lock-Up Agreement and Limitations on Disposal*" and "*19.6 Selling Restrictions*", there are no prohibitions on disposals or restrictions with respect to the transferability of the Preferred Shares.

3.7 Selling Shareholder

As of the date of this Prospectus, Volkswagen AG, through the Selling Shareholder, indirectly owns 100% of the Ordinary Shares and 100% of the Preferred Shares.

For a discussion of the ownership structure of the Company, see "*15 Shareholder Information*".

3.8 Allotment Criteria

Except for the Cornerstone Investor agreements described below, no agreement exists between the Company, Volkswagen AG, the Selling Shareholder and the Banks as to the allotment procedure. The allotment of Offer Shares to private investors and institutional investors will be decided by Volkswagen AG, the Selling Shareholder and the Company after consultation with the Joint Global Coordinators. The decision ultimately rests with Volkswagen AG, the Selling Shareholder and the Company. Allotments will be made on the basis of the quality of the individual investors, such as the expected investment horizon and expected trading behavior of the investor, and individual orders and other important allotment criteria to be determined by Volkswagen AG, the Selling Shareholder and the Company after consultation with the Joint Global Coordinators. The allocation to private investors in the public offering in Germany, Austria, France, Italy, Spain and Switzerland will be compatible with the "Principles for the allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued on June 7, 2000, by the German Commission of Stock Exchange Experts published by the Stock Exchange Expert Committee (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*). In Germany, "Qualified investors" (*qualifizierte Anleger*) pursuant to the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and the Prospectus Regulation as well as "professional clients" (*professionelle Kunden*) and "eligible counterparties" (*geeignete Gegenparteien*) under the German Securities Trading Act (*Wertpapierhandelsgesetz*) are not viewed as "private investors" within the meaning of the allocation rules while the equivalent definitions of "qualified investor", "professional clients" and "eligible counterparties" according to local law in Austria, France, Italy (provided however that in Italy physical persons who are, on request, treated as professional clients, will be treated as "private investors" and not as "qualified investors"), and Spain will apply for the public offering in the relevant jurisdiction respectively. The allocation to private investors in the public offering in Switzerland will also be compatible with the directives governing the allocation of equity-related securities offered by way of a public offering in Switzerland issued by the Swiss Bankers Association on March 29, 2004, which entered into force on January 1, 2005, as amended in January of 2008. Orders not placed through the Banks or their partners and affiliates mentioned under "*3.2 Price Range, Offer Period, Offer Price and Allotment and Payment*" by private investors will be subject to the discretionary allocation process and hence may receive smaller allocations on a relative basis, if any.

3.9 Cornerstone Investors

Each of Qatar Holding LLC ("**QIA**"), Norges Bank Investment Management ("**NBIM**"), T. Rowe Price International Ltd, acting as investment manager on behalf of its advisory funds ("**T. Rowe Price**") and ADQ, acting through Alpha Oryx Limited ("**ADQ**") has agreed to be a cornerstone investor in the Offering (together the "**Cornerstone Investors**") and each of them entered into a cornerstone investor agreement with the Company, the Selling Shareholder and Volkswagen AG. QIA has undertaken to purchase 22,729,450 Preferred Shares (corresponding to 4.99% of the Company's Preferred Shares) at the Offer Price, subject to certain customary conditions. NBIM, T. Rowe Price and ADQ have undertaken to purchase Preferred Shares in the Offering up to the aggregate maximum amount of EUR 750 million in the case of NBIM, EUR 750 million in the case of T. Rowe Price and EUR 300 million in the case of ADQ at the Offer Price, subject to certain customary conditions. The number of shares that NBIM, T. Rowe Price and ADQ undertake to purchase is calculated by the relevant aggregate maximum purchase price divided by the Offer Price and such calculated number of shares being rounded down to the next full number. The aggregate purchase price to be paid by NBIM, T. Rowe Price and ADQ respectively is the amount equal to the Offer Price multiplied by the relevant number of shares purchased in the Offering. The Selling Shareholder and Volkswagen AG agreed to instruct the Banks to preferentially allocate such purchased shares to the Cornerstone Investors in the Offering, respectively. The Cornerstone Investors will not receive a consideration for their willingness to invest in the Company.

3.10 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, BofA Securities, or its affiliates, acting in its own name and for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager, make over-allotments and take stabilization measures in accordance with Article 5 paras. 4 and 5 of MAR in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 to provide support for the market price of the Preferred Shares, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market in the Preferred Shares (the "**Stabilization Measures**").

The Stabilization Manager is under no obligation to take any Stabilization Measures. Therefore, no assurance can be provided that any Stabilization Measures will be taken. Where Stabilization Measures are taken, these may be terminated at any time without notice. Such measures may start from the date the Preferred Shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange and must end no later than 30 calendar days thereafter (the "**Stabilization Period**").

Stabilization Measures are intended to provide support for the price of the Preferred Shares during the Stabilization Period. These measures may result in the market price of the Preferred Shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level. Stabilization Measures may not be executed above the Offer Price.

To facilitate such Stabilization Measures, investors may, in addition to the Base Shares, be allocated up to 14,853,260 Over-Allotment Shares as part of the allocation of the Offer Shares (the "**Over-Allotment**"). For the purpose of such potential Over-Allotment, the Selling Shareholder has agreed to make available to the Stabilization Manager, acting in its own name and for the account of the Underwriters, up to 14,853,260 Over-Allotment Shares in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. The Selling Shareholder has granted the Underwriters an option to acquire a number of Preferred Shares equal to the number of allotted Over-Allotment Shares at the Offer Price, less agreed commissions (the "**Greenshoe Option**"). The Stabilization Manager, acting in the name and for the account of the Underwriters, is entitled to exercise the Greenshoe Option during the Stabilization Period to the extent Over-Allotment Shares were allocated to investors in the Offering.

Within one week of the end of the Stabilization Period, an announcement will be published by the Stabilization Manager via various media outlets distributed across the entire European Economic Area (*Medienbündel*) as to (i) whether Stabilization Measures were undertaken, (ii) the date on which stabilization started and when it last occurred, (iii) the Price Range within which stabilization transactions were carried out, the latter will be made known for each date on which a price stabilization transaction was carried out, and (iv) the trading venues on which stabilization transactions were carried out, where applicable. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of shares concerned will also be announced promptly in the manner previously stated.

The Stabilization Manager must record each stabilization order and transaction pursuant to applicable regulations. In addition, details of all stabilization transactions must be reported to the competent authorities of each trading venue on which the securities are admitted to trading or traded, as well as the competent authority of each trading venue where transactions in associated instruments for the stabilization of securities are carried out, if any.

Exercise of the Greenshoe Option will be disclosed to the public promptly, together with all appropriate details, including, in particular, the date of exercise of the Greenshoe Option and the number and nature of Over-Allotment Shares involved, in accordance with Article 8(f) of the Commission Delegated Regulation (EU) 2016/1052.

3.11 Lock-Up Agreement and Limitations on Disposal

3.11.1 Lock-up agreement with the Company

In the Underwriting Agreement, the Company agreed with each Bank that, during the period commencing on the date of the Underwriting Agreement and ending six months after the first day of trading of the Preferred Shares on the Frankfurt Stock Exchange, without the prior written consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed, the Company, to the extent legally permissible, will not, and will not agree to:

- announce or effect an increase of the share capital of the Company out of authorized capital or contingent capital, if any;
- submit a proposal for a capital increase to any meeting of the shareholders for resolution (*Direktkapitalerhöhungsbeschluss*);
- announce, effect or propose the issuance of securities with conversion or option rights on its shares; or
- enter into a transaction or perform any action economically similar to those described in the previous bullets.

The Company may, however, (i) issue or sell shares or other securities to directors or employees of the Company or any of its subsidiaries under a customary directors' and/or employees' stock option plan, and (ii) undertake any corporate action for purposes of entering into joint ventures, other forms of cooperations and acquisitions provided that the respective other party assumes the obligation to comply with the restrictions on the disposal of the Preferred Shares to which the Selling Shareholder is subject pursuant to the provisions of the Underwriting Agreement.

3.11.2 Lock-up agreement with the Selling Shareholder

In addition, the Selling Shareholder agreed with each Bank that without the prior written consent of the Joint Global Coordinators, which consent not to be unreasonably withheld or delayed, during the period commencing on the date of the Underwriting Agreement and ending six months after the closing date of the Offering (such closing date expected to take place two business days after the first day of trading), except as otherwise stated in the Underwriting Agreement, it will not, and will not agree to:

- offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company held by it or any of its subsidiaries (other than members of the Group) (such shares held by the Selling Shareholder or its affiliates being the "**Lock-up Shares**");
- enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of Lock-up Shares, whether any such transaction described in this or the preceding bullet point is to be settled by delivery of Lock-up Shares or such other securities, in cash or otherwise;
- make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;
- propose any increase in the share capital of the Company, convene a general shareholders' meeting or otherwise vote in favor of any proposed increase of the share capital or otherwise make, support or vote in favor of any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or
- enter into a transaction or perform any action economically similar to those described in the previous bullets.

The first two bullets above shall not apply to sales made to persons or entities who themselves agree with the Joint Global Coordinators to the lock-up period of the Selling Shareholder. Further, for the avoidance of doubt, these provisions shall not apply to the Base Shares or the Over-Allotment Shares.

3.11.3 Lock-up pursuant to Shareholders' Agreement

With respect to the lock-up in relation to the Ordinary Shares pursuant to the Shareholders' Agreement, see "*15.2 Share Purchase Agreement and Shareholders' Agreement*".

3.12 Admission to Trading on the Frankfurt Stock Exchange and Commencement of Trading

The Company will apply for the Admission to Trading, together with Citigroup, on the regulated markets (*regulierter Markt*) of the Frankfurt Stock Exchange, as well as to the sub-segment of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) on or about September 19, 2022.

The Admission to Trading for the Preferred Shares is expected to be granted on September 28, 2022. The decision on the Admission to Trading will be made solely by the Frankfurt Stock Exchange at its discretion.

Trading in the Preferred Shares on the Frankfurt Stock Exchange is expected to commence on September 29, 2022.

3.13 Designated Sponsor

Goldman Sachs has been mandated as a designated sponsor (to be performed by Baader Bank AG) of the Preferred Shares traded on the Frankfurt Stock Exchange. Pursuant to the designated sponsor agreement, the designated sponsor will, among other things, place limited buy and sell orders for the Preferred Shares in the electronic trading system of the Frankfurt Stock Exchange during regular trading hours. This is intended to achieve greater liquidity in the market for the Preferred Shares.

3.14 Interests of Parties Participating in the Offering

In connection with the Offering and the Admission to Trading of the Preferred Shares, the Banks have formed a contractual relationship with the Company and the Selling Shareholder.

The Banks are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering and on coordinating the structuring and execution of the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients, nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein. In addition, Goldman Sachs has been mandated to act as designated sponsor (to be performed by Baader Bank AG) for the Preferred Shares and Deutsche Bank has been mandated to act as paying agent. Upon successful implementation of the Offering, the Banks will receive a commission and the size of this commission depends on the results of the Offering. Pursuant to the Underwriting Agreement, the Selling Shareholder and/or Volkswagen AG have agreed to pay the Underwriters a base fee equal to 0.6% of the gross proceeds of the Offering (including the proceeds from the Over-Allotment to the extent the Greenshoe Option has been exercised, but excluding gross proceeds from the sale of Offer Shares to a Cornerstone Investor) (together the "**Base Fee**"). In addition, the Selling Shareholder and/or Volkswagen AG may, in their sole discretion, decide to award the Underwriters a discretionary fee of up to 0.4% of the gross proceeds of the Offering (including the proceeds from the Over-Allotment to the extent the Greenshoe Option has been exercised, but excluding gross proceeds from the sale of Offer Shares to a Cornerstone Investor) (together the "**Discretionary Fee**"). The maximum amount of the Discretionary Fee (if any) to be awarded to each individual Underwriter will be determined by the Selling Shareholder and/or Volkswagen AG at their sole discretion. The maximum amount payable as sum of the Base Fee and the Discretionary Fee is capped at EUR 125 million. Further, the Co-Lead Managers and UBS AG will each receive base fees and discretionary fees which have been separately agreed with the Selling Shareholder and/or Volkswagen AG. As a result of these contractual relationships, the Banks have a financial interest in the success of the Offering at the best possible terms.

The Banks or their affiliates may have, and may from time to time in the future continue to have, business relations with the Company, the Selling Shareholder and Volkswagen AG, including lending, corporate finance, advisory, investment banking, commercial banking, corporate broker and trading activities, or may perform services for the Company, the Selling Shareholder and Volkswagen AG in the ordinary course of business for which they have received or may receive customary fees and commissions. Furthermore, in connection with the Offering, each of the Banks and any of their respective affiliates may take up a portion of the shares of the Company in the Offering as a principal position and, in that capacity, may retain, purchase or sell such shares or related investments for its own account and may offer or sell such shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to shares of the Company being offered or placed should be read as including any offering or placement of shares of the Company to any of the Banks or any of their respective affiliates acting in such capacity. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of shares of the Company. None of the Banks or any of their respective affiliates intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Volkswagen AG will receive any proceeds from the sale of the Base Shares and the Over-Allotment Shares, if and to the extent that the Greenshoe Option in relation to the Over-Allotment Shares is exercised.

Assuming placement of the maximum number of Base Shares and placement of the maximum number of Over-Allotment Shares (and full exercise of the Greenshoe Option), the Company estimates that at the low end, mid-point and high end of the Price Range, net proceeds attributable to Volkswagen AG would amount to approximately EUR 8,557 million, EUR 8,896 million and EUR 9,234 million, respectively, after deducting the costs and expenses related to the Offering and Admission to Trading related to the maximum number of Base Shares and the maximum number of Over-Allotment Shares (assuming full exercise of the Greenshoe Option) borne by Volkswagen AG which include Banks' commissions (assuming the full payment of both a base fee and a discretionary fee and the separate fees for the Co-Lead Managers and UBS AG) and other estimated expenses of estimated EUR 154 million, EUR 157 million and EUR 161 million (whereby an amount of up to approximately EUR 2 million will be borne by the Company), respectively (see "*4 Proceeds of the Offering and Costs of the Offering and Admission to Trading*"). Accordingly, the Selling Shareholder and Volkswagen AG each have an interest in the success of the Offering at the best possible terms.

In the ordinary course of their various business activities, the Banks and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) in the Company, the Selling Shareholder and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

The members of the Executive Board are, under certain circumstances, entitled to a special Executive IPO Bonus after the Offering, see "*18.2.3.4 Executive IPO-Bonus*". As a result, each of the members of the Executive Board has an interest in the completion of the Offering.

Members of the Executive Board or the Supervisory Board may decide to place an order to purchase Preferred Shares in the Offering. As a result, such member would have an interest in the completion of the Offering.

In addition, in connection with the Offering, Porsche intends to pay—subject to certain conditions—its employees a bonus to acknowledge and honor their extraordinary performance over the past years (the "**Employee IPO Bonus**"), see "*12.11.4 Employee IPO Bonus*". Accordingly, the employees who are eligible to receive the Employee IPO Bonus have an interest in the completion of the Offering.

On September 18, 2022, Volkswagen AG, Porsche GmbH and Porsche SE entered into a share purchase agreement (*Aktienkaufvertrag*) (the "**Share Purchase Agreement**"), pursuant to which Volkswagen AG agreed to the sale of 25% of the Ordinary Shares plus one Ordinary Share held by Porsche GmbH ("**Sell Shares**") to Porsche SE at the Offer Price of the Offer Shares, plus a premium of 7.5%, subject to completion of the Offering. The transfer of the Sell Shares shall be executed in two tranches. Pursuant to the terms of the Share Purchase Agreement, Volkswagen AG agreed to ensure: (i) the transfer of 17.5% of the Ordinary Shares plus one Ordinary Share held by Porsche GmbH at the time at which the book-entry delivery of the Offer Shares against payment of the Offer Price takes place (the "**Closing of the Offering**") subject to payment of the purchase price ("**First Tranche**"); and (ii) the transfer of a further 7.5% of the Ordinary Shares held by Porsche GmbH on the day on which Volkswagen AG has paid a special dividend to its shareholders in the event of a successful Offering amounting to 49% of the total gross proceeds Volkswagen AG (indirectly) receives from the placement of the Offer Shares and the sale of the Sell Shares ("**Special Dividend**" (*Sonderdividende*)) ("**Second Tranche**") (for details see "*15.2 Share Purchase Agreement and Shareholders' Agreement*"). Accordingly, given the structure of the Share Purchase Agreement, Porsche SE has an (indirect) interest in the completion of the Offering.

The Special Dividend (*Sonderdividende*) will be a onetime payment by Volkswagen AG to its shareholders, based on a respective resolution of Volkswagen AG's general meeting, in the event of a successful Offering amounting to 49% of the total gross proceeds Volkswagen AG (indirectly) receives from the placement of the Preferred Shares and the sale of the 25% Ordinary Shares plus one Ordinary Share. As a result, the shareholders of Volkswagen AG have an interest in receiving the Special Dividend and hence an (indirect) interest in the completion of the Offering.

None of the aforementioned interests in the Offering or the Admission to Trading constitute a material conflict of interests with respect to the Offering or the Admission to Trading. Consequently, there are no material conflicts of interest with respect to the Offering or the Admission to Trading.

4 PROCEEDS OF THE OFFERING AND COSTS OF THE OFFERING AND ADMISSION TO TRADING

The Company will not receive any proceeds from the sale of the Offer Shares.

Volkswagen AG will receive the proceeds resulting from the sale of the Base Shares and the proceeds resulting from a potential sale of the Over-Allotment Shares, if and to the extent that the Greenshoe Option is exercised.

The amount of the proceeds of the Offering as well as the costs related to the Offering depend, *inter alia*, on the Offer Price, which determines the Underwriters' commissions, and on the number of shares that will be placed in the Offering.

Assuming placement of the maximum number of Base Shares and placement of the maximum number of Over-Allotment Shares (and full exercise of the Greenshoe Option), the Company estimates that, at the low end, mid-point and high end of the Price Range, gross proceeds to Volkswagen AG would amount to approximately EUR 8,711 million, EUR 9,053 million and EUR 9,395 million, respectively, and after deducting the total costs and expenses related to the Offering and the Admission to Trading which will be borne by Volkswagen AG (which include (i) Banks' commissions (assuming the full payment of both the Base Fee and the Discretionary Fee for the Underwriters and the separate fees for the Co-Lead Managers and UBS AG) and (ii) other estimated expenses) of approximately EUR 154 million, EUR 157 million and EUR 161 million (whereby an amount of up to approximately EUR 2 million will be borne by the Company), respectively, the net proceeds to the Selling Shareholder would amount to approximately EUR 8,557 million, EUR 8,896 million and EUR 9,234 million, respectively.

Assuming that only the maximum number of Base Shares is placed and there is no placement of Over-Allotment Shares, the Company estimates that, at the low end, mid-point and high end of the Price Range, gross proceeds to Volkswagen AG would amount to approximately EUR 7,575 million, EUR 7,872 million and EUR 8,169 million, respectively, and after deducting the total costs and expenses related to the Offering and the Admission to Trading which will be borne by Volkswagen AG (which include (i) Banks' commissions (assuming full payment of both the Base Fee and the Discretionary Fee for the Underwriters and the separate fees for the Co-Lead Managers and UBS AG) and (ii) other estimated expenses) of approximately EUR 143 million, EUR 145 million and EUR 148 million (whereby an amount of up to approximately EUR 2 million will be borne by the Company), respectively, the net proceeds to the Selling Shareholder would amount to approximately EUR 7,432 million, EUR 7,727 million and EUR 8,021 million, respectively.

Investors will not be charged expenses by the Company, the Selling Shareholder, Volkswagen AG or the Banks in connection with their role in the Offering. Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

5 REASONS FOR THE OFFERING AND ADMISSION TO TRADING AND USE OF PROCEEDS

The Company intends to list the Preferred Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange, as well as on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. The reasons for the Offering and the Admission to Trading are to: (i) enable the Company to gain access to the capital markets and (ii) highlight the intrinsic value in the Company.

In connection with the Offering, the Selling Shareholder will offer shares to facilitate stabilization measures and to ensure free float and trading liquidity in the Preferred Shares. Volkswagen AG and the Selling Shareholder intend to pursue the Offering to receive the net proceeds from the sale of the Base Shares and the Over-Allotment Shares, if and to the extent that the Greenshoe Option in relation to the Over-Allotment Shares is exercised, and to allow the Company to gain more efficient access to the capital markets.

The Company will not receive any proceeds from the Offering resulting from the sale of the Offer Shares by the Selling Shareholder in the Offering.

6 DILUTION

According to the consolidated statement of financial position in the Unaudited Condensed Consolidated Interim Financial Statements, the Group's net asset value (the "**Net Asset Value**"), which is calculated as total assets less total non-current and current liabilities, amounted to EUR 15,043 million as of June 30, 2022, or EUR 16.51 per share in the Company based on 911,000,000 outstanding shares of the Company immediately prior to the Offering.

The dilutive effect of the Offering on new shareholders is illustrated in the table below demonstrating the amount by which the Offer Price at the mid-point of the Price Range would exceed the Net Asset Value per share after completion of the Offering assuming the Offering had taken place on June 30, 2022.

The Offering will not involve the issuance of new shares of the Company.

	As of June 30, 2022
Offer Price per share (in EUR; based on the mid-point of the Price Range)	79.50
Net Asset Value per share as of June 30, 2022 (911,000,000 outstanding shares of the Company) (in EUR)	16.51
Amount by which the Net Asset Value per share is below the Offer Price of EUR 79.50 per share (based on the mid-point of the Price Range) (immediate dilution to the new shareholders of the Company per share) (in EUR)	62.99
Percentage by which the Net Asset Value per share is below the Offer Price of EUR 79.50 per share (based on the mid-point of the Price Range) (in %)	79.2

7 DIVIDEND POLICY

7.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders have a share in the Company's profits determined based on their respective interest in the Company's share capital. In a German stock corporation (*Aktiengesellschaft*), such as the Company, the distribution of dividends for any given year, and the amount and payment date thereof, are generally resolved by the general meeting (*Hauptversammlung*) of the subsequent year, based upon a joint proposal by the Executive Board and the Supervisory Board. Only holders of Ordinary Shares are entitled to vote in the annual general meeting. The annual general meeting must be held within the first eight months of each year.

Holders of Preferred Shares will receive an extra dividend (*Mehrdividende*) of EUR 0.01 per Preferred Share on top of any dividend that the Company decides to pay to its shareholders.

Pursuant to German law, dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company which is calculated based on the Company's annual financial statements prepared in accordance with German generally accepted accounting principles of the HGB. Such accounting principles differ from IFRS in material respects.

When determining distributable profits, the net income or loss for the year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for retained profit/loss carry forwards (*Gewinn-/Verlustvorträge*) from the previous year, withdrawals from capital reserves or withdrawals from or appropriations to reserves. Certain reserves are required to be set up by law and must be deducted when calculating the distributable profit (*Bilanzgewinn*). Subject to certain statutory restrictions, the general meeting is entitled to transfer additional amounts to the reserves or carry them forward.

The Executive Board must prepare, *inter alia*, annual financial statements (balance sheet, income statement and notes to the annual financial statements) and a management report for the previous year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Executive Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profit (*Bilanzgewinn*) pursuant to Section 170 para. 2 AktG. Pursuant to Section 171 AktG, the Supervisory Board must review the Executive Board's annual financial statements, management report and proposal for the allocation of the distributable profits and report to the general meeting in writing on the results of such review. The Supervisory Board must submit its report to the Executive Board within one month of receiving the documents. If the Supervisory Board approves the financial statements after its review, these are deemed adopted unless the Executive Board and Supervisory Board resolve to assign adoption of the annual financial statements to the general meeting. If the Executive Board and Supervisory Board choose to allow the general meeting to adopt the annual financial statements, or if the Supervisory Board does not approve the annual financial statements, the Executive Board must convene a general meeting without undue delay. If the Executive Board and the Supervisory Board approve the annual financial statements, they may, pursuant to Section 58 para. 2 AktG, allocate an amount of up to 50% of the Company's net income for the year—after deducting any transfers to statutory reserves and any losses carried forward—to non-statutory reserves.

The general meeting's resolution on the allocation of the distributable profit (*Bilanzgewinn*) requires a simple majority of votes cast to be passed without being bound by the proposal from the Executive Board and the Supervisory Board.

Dividends resolved by the general meeting are due and payable on the third business day following the relevant general meeting, unless a longer period is provided for in the dividend resolution or the Articles of Association. The dividends will be paid out in accordance with the rules of the respective clearing system on the day they become due and payable. Dividends with respect to the Preferred Shares will be paid via Clearstream to the custodian banks for the benefit of shareholders. German custodian banks are under an obligation to distribute the respective funds to their customers. Shareholders using a custodian bank located outside Germany must enquire at their respective bank about the terms and conditions applicable in their case. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*). To the extent that dividends can be distributed by the Company in accordance with the AktG and HGB and corresponding decisions are taken, there are no restrictions on shareholders' rights to receive such dividends.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For further information on the taxation of dividends, see "*20.2.2 Taxation of Dividends*".

Pursuant to German law, dividend payment claims are subject to a three-year standard limitation period. Once time-barred, the relevant dividend payment claim passes to the Company.

7.2 Dividend Policy

The Company currently intends to pay an annual dividend of approximately 50% of the Group's profit after tax attributable to the shareholders of the Company according to IFRS in the mid-term, subject to legal restrictions with respect to the distribution of profits and available funds and subject to prevailing market conditions and the economic situation at the time of the distribution.

Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements. Any proposals of the Executive Board to pay dividends is subject to the approval of the general shareholders' meeting. The Company depends to some extent on the transfer of distributable profits from its operating subsidiaries. The Company's future ability to pay dividends may be limited by the terms of existing and future financing arrangements. The Company can make no predictions as to the size of any future profits available for distribution, and hence the Company cannot guarantee that dividends will be paid in the future, see also "*1.6.4 The payment of future dividends will depend, among other things, on the Group's results of operations, financial and investment needs, the availability of distributable reserves and shareholder approval*".

With respect to the agreement among the parties to the Shareholders' Agreement that at least 30% of the Group's consolidated profit after tax attributable to the shareholders of the Company according to IFRS should be distributed to shareholders in a regular manner, see "*15.2 Share Purchase Agreement and Shareholders' Agreement*".

7.3 Dividend 2022

The Company intends to pay a first dividend for the year 2022 (the "**Dividend 2022**") which would be payable in 2023 in an amount of EUR 911 million (plus the extra dividend of EUR 0.01 per Preferred Share), irrespective of the transfer of the Company's earnings after taxes for the year to Porsche GmbH under the profit and loss transfer agreement (*Gewinnabführungsvertrag*) between the Company and Porsche GmbH (see "*14.1.5 Termination of Domination Agreement and Profit and Loss Transfer Agreement with Porsche GmbH*"). The Dividend 2022 is planned to be a symbolic absolute figure and the implied pay-out ratio will not necessarily be representative of the mid-term target pay-out ratio as outlined in section "*7.2 Dividend Policy*" above. The distribution funds, if any, will be raised by dissolving free capital reserves (*Auflösung freier Kapitalrücklagen*).

8 CAPITALIZATION, INDEBTEDNESS AND STATEMENT ON WORKING CAPITAL

The following tables set forth (i) the Group's actual capitalization and indebtedness as of June 30, 2022, derived from the Company's Unaudited Condensed Consolidated Interim Financial Statements or from the Company's accounting records, (ii) adjustments for the Pre-IPO Spin-Off, (iii) adjustments for the Capital Increase 2022, (iv) adjustments for the Cash Injection by Porsche GmbH as well as (v) the adjusted total resulting from these adjustments. The adjustments are based on the assumption that these developments had been completed on June 30, 2022, and that there were no tax effects. Investors should read these tables in conjunction with "10 Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the Unaudited Condensed Consolidated Interim Financial Statements, including the notes thereto, contained in this Prospectus.

8.1 Capitalization

	As of June 30, 2022	Adjustments for Pre-IPO Spin-Off[11]	Adjustments for Capital Increase 2022[12]	Adjustments for Cash Injection by Porsche GmbH[13]	Total[14]
			(unaudited) *(EUR in million)*		
Total current debt (including current portion of non-current debt)[1]	**25,284**	**(11,881)**	**—**	**—**	**13,403**
of which guaranteed[2]	209	—	—	—	209
of which secured[3]	2,760	—	—	—	2,760
of which unguaranteed/ unsecured	22,315	(11,881)	—	—	10,434
Total non-current debt (excluding current portion of non-current debt)[4]	**14,728**	**—**	**—**	**—**	**14,728**
of which guaranteed	—	—	—	—	—
of which secured[5]	3,832	—	—	—	3,832
of which unguaranteed/ unsecured	10,896	—	—	—	10,896
Total shareholder equity[6]	**15,036**	**—**	**—**	**2,800**	**17,836**
of which share capital[7]	45	—	866	—	911
of which legal reserves[8]	2,803	—	(866)	2,800	4,737
of which other reserves[9]	12,188	—	—	—	12,188
Total[10]	**55,048**	**(11,881)**	**—**	**2,800**	**45,967**

Notes:

(1) Reflects total current liabilities as of June 30, 2022, as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(2) Total current debt guaranteed refers to a debenture bond of the Company.

(3) Total current debt secured refers to current portion of financial liabilities from asset-backed securities transactions as of June 30, 2022.

(4) Reflects total non-current liabilities as of June 30, 2022, as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(5) Total non-current debt secured refers to non-current portion of financial liabilities from asset-backed securities transactions as of June 30, 2022.

(6) Reflects the equity before non-controlling interests as of June 30, 2022, as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(7) Reflects the subscribed capital as of June 30, 2022, as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(8) Reflects the capital reserve as of June 30, 2022, as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(9) Reflects the sum of retained earnings and other reserves from currency translation, hedging, equity and debt instruments and equity-accounted investments as of June 30, 2022, each as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(10) Reflects the sum of total current debt (including current portion of non-current debt) and total non-current debt (excluding current portion of non-current debt) and total shareholder equity.

(11) The adjustments result from the Pre-IPO Spin-Off as defined and further described in *"14.3 Pre-IPO Spin-Off"* where Spin-Off 2 as the last step became effective as of July 11, 2022, upon entry in the commercial register. The adjustments reflect the illustrative derecognition of the liabilities from distributions in kind resulting from the authorization of the Pre-IPO Spin-Off before June 30, 2022 as if the derecognition had taken place at June 30, 2022. The liabilities from distributions in kind equal the corresponding assets to be distributed, comprising (i) loan receivables due from Porsche GmbH in the amount of EUR 8,349 million (which includes accrued interest until June 30, 2022), (ii) other financial assets in the amount of EUR 2,028 million resulting from a current account of the Company against Porsche GmbH, (iii) cash and cash equivalents in the amount of EUR 1,501 million and (iv) deferred tax assets in the amount of EUR 3 million classified as assets held for distribution as of June 30, 2022 as shown in the Unaudited Condensed Consolidated Interim Financial Statements. The illustrative amounts presented exclude changes occurring between June 30, 2022 and registration in the commercial register.

(12) The adjustments reflect the increase of the Company's subscribed capital from EUR 45,500,000 to EUR 911,000,000 resulting from a capital increase from the Company's capital reserve (*Kapitalerhöhung aus Gesellschaftsmitteln*) in the amount of EUR 865,500,000. The capital increase results in an increase in subscribed capital and the issuance of 410,000,000 new Ordinary Shares as well as 455,500,000 new Preferred Shares. For the definition of and further information on this Capital Increase 2022, see "*17.2 Development of the Share Capital*".

(13) The adjustments reflect a shareholder contribution without issuance of new shares to the Company's free capital reserve within the meaning of Section 272 Paragraph 2 No. 4 HGB amounting to EUR 2,800,000,000 effected on September 15, 2022, this being the Cash Injection by Porsche GmbH (as defined in "*8.6 No Significant Change*") pursuant to its obligation to make a contribution to the Company's capital reserves to ensure that the spin-off of a cash equivalent position against Volkswagen AG amounting to EUR 1,500,000,000 and the transfer of the Company's 2022 earnings after taxes for the year determined by the Company's unconsolidated annual financial statements prepared in accordance with German generally accepted accounting principles of the HGB to Porsche GmbH under the Porsche PLTA will not result in a cash outflow from the Group of more than EUR 2,700,000,000. The proceeds from the Cash Injection by Porsche GmbH have been invested after its receipt in time deposits with a five month duration.

(14) Reflects the sum of the effects of the adjustments on the respective line items as of June 30, 2022.

8.2 Indebtedness

	As of June 30, 2022	Adjustments for Pre-IPO Spin-Off(6)	Adjustments for Capital Increase 2022(7)	Adjustments for Cash Injection by Porsche GmbH(8)	Total(9)
			(unaudited) *(EUR in million)*		
A. Cash(1)	1,141	—	—	—	1,141
B. Cash equivalents(2)	2,697	—	—	—	2,697
C. Other current financial assets(3)	2,433	—	—	2,800	5,233
D. Liquidity (A+B+C)	**6,271**	**—**	**—**	**2,800**	**9,071**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)(4)	3,338	—	—	—	3,338
F. Current portion of non-current financial debt	—	—	—	—	—
G. Current financial indebtedness (E+F)	**3,338**	**—**	**—**	**—**	**3,338**
H. Net current financial indebtedness (G-D)	**(2,933)**	**—**	**—**	**(2,800)**	**(5,733)**
I. Non-current financial debt (excluding current portion and debt instruments)(5)	6,424	—	—	—	6,424
J. Debt instruments	—	—	—	—	—
K. Non-current trade and other payables	—	—	—	—	—
L. Non-current financial indebtedness (I+J+K)	**6,424**	**—**	**—**	**—**	**6,424**
M. Total financial indebtedness (H+L)	**3,491**	**—**	**—**	**(2,800)**	**691**

Notes:

(1) Reflects the sum of cash on hand in the amount of EUR 0.3 million and bank balances in the amount of EUR 1,141 million as of June 30, 2022. Assets held for distribution as shown in the Unaudited Condensed Consolidated Interim Financial Statements include cash and cash equivalents classified as held for distribution in the amount of EUR 1,501 million as of June 30, 2022.

(2) Reflects the sum of cash-pooling balances in the amount of EUR 2,075 million and time deposits with an original contractual term of less than 3 months in the amount of EUR 623 million as of June 30, 2022.

(3) Reflects the sum of securities and time deposits in the amount of EUR 2,034 million as shown in the Unaudited Condensed Consolidated Interim Financial Statements and current derivative financial instruments without a hedging relationship in the amount of EUR 399 million included in current other financial assets measured at fair value as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(4) Reflects current financial liabilities as of June 30, 2022, as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(5) Reflects non-current financial liabilities as of June 30, 2022, as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(6) The derecognition of the liabilities from distributions in kind resulting from the authorization of the Pre-IPO Spin-Off does not result in an adjustment for the purpose of this section "*8.2 Indebtedness*".

(7) The Capital Increase 2022 does not result in an adjustment for the purpose of this section "*8.2 Indebtedness*". For the definition of and further information on this Capital Increase 2022, see "*17.2 Development of the Share Capital*".

(8) The adjustments reflect a shareholder contribution without issuance of new shares to the Company's free capital reserve within the meaning of Section 272 Paragraph 2 No. 4 HGB amounting to EUR 2,800,000,000 effected on September 15, 2022 by Porsche GmbH pursuant to its obligation to make a contribution to the Company's capital reserves to ensure that the spin-off of a cash equivalent position against Volkswagen AG amounting to EUR 1,500,000,000 and the transfer of the Company's 2022 earnings after taxes for the year determined by the Company's unconsolidated annual financial statements prepared in accordance with German generally accepted accounting principles of the HGB to Porsche GmbH under the Porsche PLTA will not result in a cash outflow from the Group of more than EUR 2,700,000,000. The proceeds from the Cash Injection by Porsche GmbH have been invested after its receipt in time deposits with a five month duration. The amount disclosed is excluding recognition of any loss allowance for expected credit losses.

(9) Reflects the sum of the effects of the adjustments on the respective line items as of June 30, 2022.

8.3 Lease Liabilities

As of June 30, 2022, current financial debt included current lease liabilities in the amount of EUR 111 million and non-current financial debt included non-current lease liabilities in the amount of EUR 987 million.

8.4 Indirect and Contingent Indebtedness

The Group had contingent liabilities in the amount of EUR 117 million as of June 30, 2022, which mainly related to legal and product-related matters. Furthermore, the Group had other financial obligations in the amount of EUR 3,850 million as of June 30, 2022, which mainly related to obligations from development, supply and service contracts.

Except as set out above, the Group did not have any other commitments or contingencies as of June 30, 2022 that would have a material negative impact on the Group's net assets, financial position and results of operations.

8.5 Statement on Working Capital

In the Company's opinion, the working capital of the Group is sufficient to meet the Group's present requirements over at least the next 12 months from the date of this Prospectus.

8.6 No Significant Change

By way of a spin-off according to Section 123 German Transformation Act (*Umwandlungsgesetz*; "**UmwG**"), the Company transferred to Porsche Niederlassung Mannheim GmbH, a subsidiary of the Company, (i) loan receivables due from Porsche GmbH which amounted to EUR 8,144,151,599 with accrued interest of EUR 30,540,569 as of December 31, 2021, (ii) a receivable from a current account of the Company against Porsche GmbH amounting to EUR 2,028,835,983 as of December 31, 2021 and (iii) a cash equivalent position against Volkswagen AG amounting to EUR 1,500,000,000 with economic effect as of January 1, 2022. This first spin-off ("**Spin-Off 1**") became effective as of July 6, 2022 upon entry in the commercial register. By way of a spin-off according to Section 123 German Transformation Act (UmwG), the Company transferred all shares held by the Company in Porsche Niederlassung Mannheim GmbH to Memphis I GmbH, a subsidiary of Porsche GmbH with economic effect as of January 1, 2022. This second spin-off ("**Spin-Off 2**", and together with Spin-Off 1, the "**Pre-IPO Spin-Off**") became effective as of July 11, 2022 upon entry in the commercial register.

On August 1, 2022, the General Meeting resolved—among other items—to increase the Company's share capital from EUR 45,500,000 by EUR 865,500,000 to EUR 911,000,000 (the "**Capital Increase 2022**"). The implementation of the Capital Increase 2022 was registered with the commercial register (*Handelsregister*) of the Company at the local court (*Amtsgericht*) of Stuttgart on August 15, 2022.

Porsche GmbH contributed EUR 2,800 million by a shareholder contribution without issuance of new shares to the Company's free capital reserve within the meaning of Section 272 Paragraph 2 No. 4 HGB effected on September 15, 2022 (the "**Cash Injection by Porsche GmbH**").

Other than the effects on capitalization and indebtedness of the Group from the Pre-IPO Spin-Off, the Capital Increase 2022 and the Cash Injection by Porsche GmbH, between June 30, 2022 and the date of the Prospectus, there have been no significant changes in the Group's financial position and the Group's financial performance.

9 PROFIT FORECAST

9.1 Profit Forecast for the Year Ending December 31, 2022

This forecast of Return on Sales (as defined below) of Dr. Ing. h.c. F. Porsche Aktiengesellschaft (the "**Company**") and its consolidated subsidiaries (together with the Company, "**Group**" or "**Porsche**") prepared by the Company for the year ending December 31, 2022 ("**2022**") (together with the explanatory notes hereinafter referred to as the "**2022 Profit Forecast**") is not a representation of facts and should therefore not be interpreted as such by prospective investors. Rather, it reflects the forward-looking expectations of the Company's Executive Board ("**Executive Board**") with respect to Return on Sales.

The 2022 Profit Forecast, like any forward-looking statement, is necessarily based on a number of assumptions and estimates about future events and actions, including management's assessment of opportunities and risks. Such assumptions and estimates are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control, and upon assumptions with respect to future business decisions that are subject to change.

The 2022 Profit Forecast is based on factors and assumptions made by the Executive Board with respect to the development of factors influencing the Group's Return on Sales as set out below (see "*9.4 Explanatory Notes to the 2022 Profit Forecast*"). These assumptions relate to factors (i) that are beyond the Company's control, or (ii) that can be influenced by the Company. Even if the Company considers these factors and assumptions to be reasonable on the date on which the 2022 Profit Forecast is prepared, they may retrospectively prove to be inappropriate or incorrect in the future. If one or more of these factors and assumptions prove to be inappropriate or incorrect, the Group's actual Return on Sales for 2022 may deviate materially from the 2022 Profit Forecast. Accordingly, prospective investors should treat this information with caution and should not place undue reliance on the 2022 Profit Forecast.

The Group's activities are divided into two segments: Automotive and Financial Services. The activities of the Automotive segment cover the development, manufacturing and sale of vehicles as well as related services. The activities of the Financial Services segment comprise customer and dealer financing, the leasing business as well as mobility services and other finance-related services.

The respective financial information for the year ended December 31, 2021 ("**2021**") and for the six months ended June 30, 2022 ("**H1 2022**") presented for comparative reasons is based on the audited consolidated financial statements of the Company as of and for the year ended December 31, 2021 (the "**Audited 2021 Consolidated Financial Statements**"), which were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), and the unaudited condensed consolidated interim financial statements of the Company as of and for the six months ended June 30, 2022 (the "**Unaudited Condensed Consolidated Interim Financial Statements**"), which were prepared in accordance with IFRS applicable to interim financial reporting (IAS 34).

9.2 Definition of Return on Sales

The Company believes Return on Sales is a meaningful financial measure because it is used by the Group's management to evaluate the operating profitability of the Group.

Return on Sales is defined as the ratio of Group operating profit to Group sales revenue. Group operating profit presented in the Company's consolidated income statement is calculated as profit before tax and excluding the financial result of the Group.

Return on Sales is not a financial measure based on IFRS and should not be considered as an alternative to the financial results or other indicators of the Group's performance based on IFRS financial measures. Return on Sales should not be considered as an alternative to profit after tax or operating profit as an indicator of the Group's performance or profitability. Return on Sales, as defined by the Company, may not be comparable to similarly titled financial measures as presented by other companies due to differences in the way Return on Sales is calculated. Even though Return on Sales is used by management to assess ongoing operating performance and liquidity and this type of financial measure is commonly used by investors, it has important limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

9.3 2022 Profit Forecast

For the year ending December 31, 2022, the Company expects Return on Sales of the Group to be in the range of 17% to 18%. This forecast is based on assumed Group sales revenue for the year ending December 31, 2022, in the range of EUR 38 billion to EUR 39 billion.

9.4 Explanatory Notes to the 2022 Profit Forecast

9.4.1 Basis of Preparation

This 2022 Profit Forecast was prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.,* "**IDW**") in IDW Accounting Practice Statement: Preparation of Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses (IDW AcPS AAB 2.003) (*IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und -schätzungen nach den besonderen Anforderungen der Prospektverordnung* (*IDW RH HFA 2.003*)).

Although Return on Sales is not an IFRS financial measure of operating performance or liquidity, the 2022 Profit Forecast was derived using the same IFRS accounting principles, which were used in the Unaudited Condensed Consolidated Interim Financial Statements and the Audited 2021 Consolidated Financial Statements. With respect to the accounting policies applied, reference is made to the notes to the Unaudited Condensed Consolidated Interim Financial Statements and the notes to the Audited 2021 Consolidated Financial Statements.

This 2022 Profit Forecast has been compiled based on the factors and related assumptions stated below and prepared on a basis that is (i) comparable to the Group's historical financial information and (ii) consistent with the Company's accounting policies.

The 2022 Profit Forecast has been prepared solely for inclusion in this Prospectus and represents the best estimates of the Executive Board as of September 14, 2022. In preparing the 2022 Profit Forecast, the Company has considered the relevant factors for the operational and financial performance of the Group. The expected development of these factors is based on assumptions made by the Executive Board, which are set forth below.

9.4.2 Factors and Assumptions

9.4.2.1 Factors Beyond the Company's Control and Related Assumptions

The 2022 Profit Forecast is subject to factors beyond the Company's control. These factors, and the assumptions made about their impact, are described below:

Factor 1: Unforeseen Events

Unforeseen events might occur that could result in material or lasting constraints on the ongoing operations of the Group, such as, but not limited to, force majeure, including natural disasters (*e.g.*, fires, floods, hurricanes, storms, and earthquakes), wars or conflicts (except for the Russia-Ukraine Conflict) or terrorist attacks, extraordinary macroeconomic events (except for shortages, stoppages, price increases and government restrictions relating to natural gas supplies) or cyber-attacks, maintenance outages, power or equipment failure, social unrest, work stoppages and public health concerns (except for the Covid-19 pandemic).

For the purpose of the 2022 Profit Forecast, the Group assumes that no material unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the Group. The Group's assumptions regarding the Covid-19 pandemic, the Russia-Ukraine Conflict as well as shortages, stoppages, energy price increases and government restrictions relating to natural gas supplies are separately referred to under Factor 5 "*Covid-19 Pandemic*", Factor 6 "*Russia-Ukraine Conflict*" and Factor 7 "*Shortages, Stoppages, Price Increases and Government Restrictions Relating to Natural Gas Supplies,*" respectively.

Factor 2: Legal & Regulatory Framework

The automotive industry is subject to governmental regulation worldwide. Regulation includes an increasingly broad range of strict and at times conflicting environmental laws and regulations around the world (*e.g.*, concerning vehicle exhaust emissions and climate change). Risks and opportunities from the legal and regulatory framework could have a considerable influence on the Group's future business success.

For the purpose of the 2022 Profit Forecast, the Group assumes a stable legal and regulatory framework and thus, no impact on the Group's Return on Sales from changes in the applicable legal and regulatory framework in 2022. Furthermore, the Group does not assume any expenses from litigation and regulatory proceedings or non-compliance with applicable laws, regulations, and standards in the countries in which the Group operates.

For the purpose of the 2022 Profit Forecast, the Group assumes accounting estimates and management judgments made in connection with legal proceedings as reported in the Audited 2021 Consolidated Financial Statements as well as the Unaudited Condensed Consolidated Interim Financial Statements to remain unchanged and continue to be valid for 2022.

Factor 3: Economic and Political Conditions

Demand for the Group's vehicles and services depends significantly on economic and political conditions globally and in the Group's key markets, including, in particular, the People's Republic of China (including Mainland China, and, for purposes of this definition, Hong Kong, "**China**"), Europe including Germany and North America. Economic conditions can be impacted by a number of factors, for instance macroeconomic policy, trade policy and conflicts, business and consumer sentiment, monetary policy (*i.e.*, interest rates), inflation, commodity prices, public and private debt levels and government policies targeting public spending such as fiscal austerity policies, as well as geopolitical developments, including tensions in eastern Asia, among other factors. Demand for vehicles for personal use, such as those of the Group, generally depends on consumers' net purchasing power, their confidence in future economic developments and changes in economic trends.

For the purpose of the 2022 Profit Forecast, the Group assumes stable economic and political conditions compared to H1 2022.

Factor 4: Market Development and Competitive Environment

Demand for the Group's vehicles is impacted by demand and competition in the car markets in which the Group operates, particularly the luxury car market and, going forward, the battery-electric vehicle market. Demand in these markets depends to a large extent on consumers' net purchasing power, their confidence in future economic developments and changes in economic trends, whereas competition is driven by, among others, design, driver experience, product quality and performance, innovation, initial purchase price and environmental impact.

For the purpose of the 2022 Profit Forecast, the Group assumes that market development and competitive environment are only of subordinate importance because Automotive sales in particular and the corresponding Automotive sales revenue are largely determined by vehicle orders placed and existing production capacities.

Factor 5: Covid-19 Pandemic

The Covid-19 pandemic has led many countries worldwide to adopt measures to contain and combat the spread of Covid-19, including travel bans, quarantines, "stay-at-home" orders, restrictions on business activities and similar requirements for individuals to restrict daily activities. These measures have negatively impacted global supply chains, including those of relevance to the Group. The scale and duration of the Covid-19 pandemic and the measures undertaken to contain it have severely impacted regional and global economies, including those in several of the Group's key markets. Especially due to the reimposition of lockdowns to contain the spread of Covid-19 in China, the Group's largest market, strong uncertainty remains regarding the future course of the Covid-19 pandemic. If the further development of the Covid-19 pandemic in China or other countries results in renewed severe restrictions and containment measures like those seen previously in China, this could again place a substantial burden on households, companies and governments in those countries. This could in turn lead to declines in economic growth. The deterioration of the economic situation, consumer sentiment and the general business climate could lead to a reduction in consumer demand for the Group's vehicles.

During H1 2022, the partial recovery of the global economy was adversely affected by the Covid-19 pandemic, primarily due to new lockdowns introduced to contain the Covid-19 pandemic in China. The ongoing government reimposition of lockdowns in parts of China throughout 2022 has resulted in numerous Porsche dealerships having to close, certain suppliers of non-production related services for Porsche entities in China suspending operations and certain suppliers of the broader Group (*i.e.*, Group entities located outside of China) being unable to export out of China and traffic restrictions at the Shanghai harbor, a major shipping hub into and out of central China. These developments, together with the supply chain constraints and logistics challenges, negatively impacted Automotive sales during H1 2022 (see Factor 12 "*Automotive Sales and Product Mix*").

For the purpose of the 2022 Profit Forecast, the Group assumes stable economic conditions, no further supply chain constraints and no limitations of Automotive sales (*e.g.*, by lockdowns affecting dealers) as a result of the Covid-19 pandemic in the Group's key markets compared to H1 2022.

Factor 6: Russia-Ukraine Conflict

The Russia-Ukraine Conflict and the sanctions and export-control measures instituted by the European Union (the "**EU**"), the United Kingdom, the United States, Canada and Japan, among others, against Russian and Belarusian persons and entities in response, as well as countermeasures by Russia, have had adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies as well as the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations.

As a result of the Russia-Ukraine Conflict, the Group has discontinued the export of vehicles and, to the extent required by EU sanctions, spare parts to Russia and Belarus. For the purpose of the 2022 Profit Forecast, the Group assumes that the discontinuation of exports of vehicles and spare parts to Russia and Belarus will have no impact on the Return on Sales of the Group for 2022, due to the reallocation of production volumes to other regions.

Moreover, the Russia-Ukraine Conflict continues to impact the global economy, the global capital markets and international trade, resulting in supply chain constraints and logistics challenges and volatility in energy prices and supplies as well as the price and availability of raw materials, parts and components (see Factor 7 "*Shortages, Stoppages, Price Increases and Government Restrictions Relating to Natural Gas Supplies*", Factor 8 "*Supply Chain Disruption including Availability of Essential Parts*" and Factor 9 "*Prices of Raw Materials and Other Commodities*").

In June of 2022, the World Bank warned that the Russia-Ukraine Conflict has magnified the slowdown in the global economy triggered by the Covid-19 pandemic and predicted that the global economy was entering what could become a protracted period of low growth and elevated inflation in which, for many countries, economic recession will likely be difficult to avoid. Furthermore, these developments have caused and may continue to cause significant increases in energy prices and potential energy shortages throughout Europe as well as adverse impacts on European economies and manufacturers such as the Group and its Europe-based suppliers which may become particularly acute in the autumn and winter months of 2022.

However, for the purpose of the 2022 Profit Forecast, the Group assumes that the situation in the Russia-Ukraine Conflict will not deteriorate further compared to H1 2022. The Group also assumes that the conflict does not further disrupt supply chains on which the Group and its suppliers rely.

Factor 7: Shortages, Stoppages, Price Increases and Government Restrictions Relating to Natural Gas Supplies

The Group and many of its suppliers along the value chain rely on natural gas and renewable alternatives, such as biomethane, for essential manufacturing activities for which there is either no commercially viable alternative or no alternative at all. The Group and such suppliers would be directly impacted by gas shortages or stoppages in the German and/or wider European gas system, and price increases and potential government restrictions could also impact the Group and many of its suppliers.

The Russia-Ukraine Conflict and the related sanctions have resulted and may further result in direct, severe adverse impacts on energy-intensive sectors in general and in particular on large consumers of gas, including natural gas and biomethane (see also Factor 6 "*Russia-Ukraine Conflict*").

If the EU imposes an embargo on, or significantly reduces imports of, Russian natural gas before securing alternative sources, or if Russia unilaterally ceases or further limits the supply of natural gas to European countries, including Germany, this will likely cause further increases in gas prices (which in Europe are already at near record highs), as well as electricity prices, given that a significant amount of electricity in Germany is generated by gas. Other consequences could include further supply chain problems, energy shortages and production stoppages among many manufacturers in affected areas, including the Group and many of its suppliers. EU governments, including the German government, could also intervene in the energy markets and impose rationing or other restrictions on gas and other energy supplies.

For the purpose of the 2022 Profit Forecast, the Group assumes no production stoppages or factory shutdowns impacting it or its suppliers due to gas shortages, stoppages, or government restrictions relating to natural gas supplies. Moreover, no further energy price increases are taken into account compared to H1 2022.

Factor 8: Supply Chain Disruption including Availability of Essential Parts

Production is highly dependent on the availability of raw materials, parts and components, especially semiconductors. Semiconductors are of vital importance for the completion of the Group's vehicles, in particular for the increasingly prevalent digital connectivity, safe driving and intelligent or automated features included in them, as well as for the production of the Group's Electrified Vehicles.

Automotive companies around the world are currently suffering from acute shortages of many raw materials, parts and components, especially semiconductors, for complex reasons, many related to or triggered by the Russia-Ukraine Conflict and the Covid-19 pandemic (see Factor 5 "*Covid-19 Pandemic*" and Factor 6 "*Russia-Ukraine Conflict*"). The Russia-Ukraine Conflict and the Covid-19 pandemic are causing delays along the entire supply chain, shortages of shipping containers, a lack of port capacity, reduced air freight and train channels and increased freight costs, among other problems, all of which could continue to undermine the transport and delivery of goods, including raw materials, parts and components.

However, for the purpose of the 2022 Profit Forecast, the Group assumes that the supply chain situation will improve compared to H1 2022 and that essential parts, especially semiconductors, will be available as required for production purposes in the second half of 2022.

Factor 9: Prices of Raw Materials and Other Commodities

The Group purchases a broad range of materials, components, and parts in connection with its manufacturing activities. The principal raw materials that the Group uses in its manufacturing operations or that are contained in sourced vehicle parts include aluminum, steel, palladium, rhodium, nickel, copper, lithium, cobalt, magnesium, rare earth metals and noble gases (particularly neon).

The Group, through the Volkswagen Group, hedges only a portion of its exposure to fluctuations in the prices of raw materials and other commodities. Therefore, increases in input prices of raw materials, parts and components would increase the Group's costs and could impact its profitability to the extent that such increases are not hedged or cannot be passed on to customers. In H1 2022, prices of the most relevant raw materials and other commodities have generally increased compared to 2021.

For the purpose of the 2022 Profit Forecast, the Group assumes that the overall development of the prices of the most relevant raw materials and commodities will remain stable compared to H1 2022.

Factor 10: Foreign Currency Rates

Due to the global orientation of the Group's operations, its Return on Sales is exposed to risks and opportunities related to fluctuations in currency exchange rates. This applies particularly to fluctuations of the Euro against the Chinese Renminbi ("**CNY**"), the U.S. dollar ("**USD**") and the Great British Pound ("**GBP**"). Changes in the exchange rates between these currencies can affect the Group's operations as a result of both transactional and translational exchange rate effects.

Compared to the average exchange rates in H1 2022, the Group assumes the following exchange rates based on internal estimates (excluding hedging effects) for the remaining period within the 2022 Profit Forecast:

Currency rates	**For the second half of 2022**
USD/EUR	1.02
GBP/EUR	0.85
CNY/EUR	6.90

Given the nature of its business, the Group maintains a conservative but flexible hedging policy to manage its net currency exposure using a broad set of financial instruments. Although the Group is largely hedged across its key currency exposures, the Group's Return on Sales in H1 2022 was positively influenced by fluctuations in currency exchange rates. Therefore, for the purpose of the 2022 Profit Forecast, the Group assumes a moderately positive impact from foreign currency fluctuations on the Group's Return on Sales compared to 2021.

Factor 11: Interest Rates (*Financial Services*)

The Group requires funding for its Financial Services business and is therefore dependent on interest rates prevailing in the capital markets. Within capital markets, the Group seeks funding for its Financial Services assets, where prevailing interest rates determine the Financial Services segment's refinancing costs.

As the Financial Services segment eventually passes refinancing interest rate increases on to customers through the interest rates offered to them, changes in interest rates have only a limited timing impact on Group's Return on Sales (see Factor 19 "*Financial Services Sales Revenue less Variable Costs*"). Therefore, for the purpose of the 2022 Profit Forecast, the Group assumes no impact from changes in interest rates on the Group's Return on Sales, primarily in connection with its larger lease/loan portfolio in 2022 compared to 2021.

9.4.2.2 Factors That Can Be Influenced by the Company and Related Assumptions

In addition to the factors and assumptions that are beyond the Company's control, the 2022 Profit Forecast is subject to factors that can be influenced by the Company. These factors, and the assumptions taken about their impact, are described below:

Automotive Segment

Factor 12: Automotive Sales and Product Mix

Return on Sales of the Automotive segment is affected by Automotive sales as well as the product mix in different regions. As a result of its centralized production model and industrial cooperation with the Volkswagen Group, which allows the Group to implement efficiencies in production and manage volumes, the Group's cost of materials does not vary to a large extent between markets, and the profitability of vehicle models within different markets is primarily driven by the Group's pricing strategy within the respective market and vehicle specifications (with customer preferences for premium features and equipment varying between regions).

In 2021, Automotive sales (including new and used vehicles) were as follows in the main regions: China was the Group's largest market (94,826), followed by Europe including Germany (88,076), North America (74,431) and Rest of World (39,956). For the purpose of the 2022 Profit Forecast, the Group assumes that the highest Automotive sales (including new and used vehicles) will occur in China despite the restrictions from the Covid-19 pandemic, followed by Europe including Germany, North America and the Rest of the World.

Moreover, for the purpose of the 2022 Profit Forecast, the Group assumes moderate growth in the number of Automotive sales (including new and used vehicles), with an improving product mix in terms of pricing in 2022 compared to 2021.

Factor 13: Automotive Sales Revenue

Automotive sales revenue is primarily driven by the development of Automotive sales and the product mix (see Factor 12 "*Automotive Sales and Product Mix*"), the pricing policy as well as foreign currency rates (see Factor 10 "*Foreign Currency Rates*").

The Group applies a combination of controlled sales growth (with a view to maintaining the exclusivity of its models) and consistent price improvement across the product mix.

The highest contribution to Automotive sales revenue is assumed to come from the sale of new vehicles (including customization) and used vehicles, followed by aftersales, services and other revenues.

For the purpose of the 2022 Profit Forecast, the Group assumes that Automotive sales revenue will increase significantly compared to 2021.

Factor 14: Automotive Variable Costs

Variable costs of the Automotive segment comprise costs of production materials, variable personnel costs, direct distribution costs and variable warranty costs. The Group's ability to manage the pricing of raw materials, parts and components (*e.g.*, production materials) has a significant effect on the Group's profitability and Automotive Return on Sales. The Group also sources process materials such as natural gas and oil for various applications, including the first-fill fuels, which help to protect engine components between manufacture and delivery to customers. With respect to raw materials, in most cases, the Group does not act as a direct purchaser but rather relies on its suppliers to source raw materials. Costs of production materials purchased from suppliers often contain price adjustments for the portion of raw materials included. Furthermore, increases in fuel prices or electricity used in manufacturing the Group's products may negatively affect its production costs (see Factor 7 "*Shortages, Stoppages, Price Increases and Government Restrictions Relating to Natural Gas Supplies*"). The Group coordinates its purchasing and procurement partly with the Volkswagen Group as part of the industrial cooperation between the groups, enabling it to minimize the risk of dependencies and obtain favorable cost terms through volume purchasing. The Group generally manages procurement costs through competitive tenders, continuous optimization of its supplier portfolio, proactive inventory management and long-term supply contracts. As the Group, through the Volkswagen Group, hedges only a portion of its exposure to raw materials costs, it relies primarily on the renegotiation of contracts and cost-saving measures to control costs.

For the purpose of the 2022 Profit Forecast, the Group assumes that Automotive variable costs will significantly increase for the Automotive segment compared to 2021 primarily due to the growth in Automotive sales (see Factor 12 "*Automotive Sales and Product Mix*"). As a percentage of Automotive sales revenue, the Group assumes that variable costs for the Automotive segment will increase slightly due to higher material and logistics costs in 2022 compared to 2021.

Factor 15: Automotive Fixed and Other Costs

Fixed and other costs of the Automotive segment are primarily driven by personnel costs, research and development costs (see Factor 16 "*Research and Development Costs*") as well as depreciation and amortization (see Factor 17 "*Depreciation, Amortization, and Impairment Losses*"). For the purpose of the 2022 Profit Forecast, the Group assumes a moderate increase in personnel costs for the Automotive segment compared to 2021 in case of the payment of the maximum amount of an employee IPO bonus, given that certain conditions are met, in order to acknowledge and honor the employees' extraordinary performance over the past years (the "**Employee IPO Bonus**"). In case that certain conditions will not be met, the Group assumes a slight increase in personnel costs compared to 2021. For the anticipated development of research and development costs as well as depreciation and amortization as part of Automotive fixed and other costs, see Factor 16 "*Research and Development Costs*" and Factor 17 "*Depreciation, Amortization, and Impairment Losses*".

For the purpose of the 2022 Profit Forecast, the Group assumes that fixed and other costs for the Automotive segment will remain stable compared to 2021. As a percentage of Automotive sales revenue, the Group assumes that fixed and other costs for the Automotive segment will significantly decrease due to lower research and non-capitalized development costs as well as a lower amortization of capitalized development costs in 2022 compared to 2021.

Factor 16: Research and Development Costs

Return on Sales of the Automotive segment is driven to a certain extent by its ability to develop commercially attractive products, services and technologies to further strengthen its competitive position. Accordingly, the Group dedicates substantial resources to research and development.

All research and development costs other than capitalized development costs, are included in Automotive fixed and other costs. Therefore, the assumed development of the research and non-capitalized development costs is included in Factor 15 "*Automotive Fixed and Other Costs*".

Additionally, amortization and impairment losses of capitalized development costs are reflected in Factor 15 "*Automotive Fixed and Other Costs*" as part of depreciation, amortization and impairment losses (see Factor 17 "*Depreciation, Amortization, and Impairment Losses*").

For the purpose of the 2022 Profit Forecast, the Group assumes research and development costs other than capitalized development costs for the Automotive segment will significantly decrease compared to 2021 (mainly due to a higher capitalization ratio (defined as Group investment in capitalized development costs divided by Group research and development costs (without amortization)) compared to 2021). As a percentage of sales revenue of the Automotive segment, the Group assumes that research and development costs other than capitalized development costs for the Automotive segment will significantly decrease in 2022 compared to 2021.

Factor 17: Depreciation, Amortization, and Impairment Losses

Depreciation, amortization and impairment losses impact the Return on Sales of the Automotive segment and are part of the Automotive fixed and other costs. Therefore, the assumed development of depreciation, amortization, and impairment losses is included in Factor 15 "*Automotive Fixed and Other Costs*".

For the purpose of the 2022 Profit Forecast, the Group assumes no impairment of property plant and equipment or intangible assets. The Group expects depreciation and amortization expenses to remain stable in 2022 for the Automotive segment compared to 2021. As a percentage of sales revenue of the Automotive segment, the Group assumes that depreciation, amortization and impairment losses will significantly decrease in 2022 compared to 2021.

Factor 18: Warranties, Guarantees and Campaigns

The Group has to provide product warranties to its customers and generally records warranty provisions in its accounts based on experience and known claims for vehicles sold. These warranty provisions are part of Automotive variable costs (see Factor 14 "*Automotive Variable Costs*"). Such provisions may not be adequate if there are costs arising from product recalls and/or vehicle defects that are higher than initially expected. Extraordinary items, if any, are included in fixed and other costs (see Factor 15 "*Automotive Fixed and Other Costs*") of the Automotive segment.

In addition, the Group might also be required to extend the warranty originally granted in certain markets for legal reasons, initiate or extend product recalls, or provide services as a courtesy or for reasons of reputation where the Group is not legally required to do so, and for which the Group will generally not be able to recover from suppliers or insurance. Any such events could have a material adverse effect on the Group's performance.

For the purpose of the 2022 Profit Forecast, the Group assumes no additional material expenses for product recalls and/or vehicle defects compared to H1 2022.

Financial Services Segment

Factor 19: Financial Services Sales Revenue less Variable Costs

The performance of the Financial Services segment is primarily driven by customer demand and sales performance as well as the management of pricing components such as customer interest rate, residual values (where applicable), risk costs (*e.g.*, residual values risk and credit default risk) and cost of funds. For the 2022 Profit Forecast, the Group assumes a moderate increase in Financial Services sales revenue due to an increase of the lease / loan portfolio in comparison to 2021.

Moreover, for the 2022 Profit Forecast, the Group assumes a moderate increase in Financial Services variable costs as a result of the lease / loan portfolio increase. Variable costs of the Financial Services segment primarily comprise interest expenses (see Factor 11 "*Interest Rates* (*Financial Services*)") and risk costs, such as resulting from residual value risk and credit default risk. The Group assumes, for the purpose of the 2022 Profit Forecast, that residual value risk and credit default risk are comparable to H1 2022.

Based on this anticipated development, for the purpose of the 2022 Profit Forecast, the Group assumes a significant increase in Financial Services sales revenue less variable costs for the Financial Services segment in comparison to 2021.

Factor 20: Financial Services Fixed and Other Costs

Fixed and other costs of the Financial Services segment are primarily driven by personnel costs and IT costs. For the purpose of the 2022 Profit Forecast, the Group assumes an increase in personnel costs for the Financial Services segment, due to an increase in its workforce to manage digitalization (additionally driving IT costs) and market development initiatives. This development is assumed to be partly offset by a material income of swap breakage gains from ordinary refinancing activities in H1 2022. For the purpose of the 2022 Profit Forecast, the Group assumes Financial Services fixed and other costs to increase significantly compared to 2021.

9.5 Other Explanatory Notes

The 2022 Profit Forecast covers extraordinary events and results due to non-recurring activities within the meaning of the IDW Accounting Practice Statement 2.003 (IDW AcPS AAB 2.003), such as effects related to the Covid-19 pandemic and the Russia-Ukraine Conflict.

As the 2022 Profit Forecast relates to a period not yet completed and is prepared on the basis of assumptions about future uncertain events and actions (factors), it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that the Group's actual Return on Sales for 2022 may differ materially from the 2022 Profit Forecast.

The 2022 Profit Forecast has been prepared solely for the inclusion in this Prospectus and represents the best estimates of the Executive Board as of September 14, 2022.

10 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information contained in the following section has been taken or derived from the Audited Consolidated Financial Statements, the Unaudited Condensed Consolidated Interim Financial Statements, the Audited Unconsolidated Financial Statements, or the Company's accounting records or internal management reporting systems. The Audited Consolidated Financial Statements were prepared in accordance with IFRS. The Unaudited Condensed Consolidated Interim Financial Statements were prepared in accordance with IFRS applicable to interim financial reporting (IAS 34). The Audited Unconsolidated Financial Statements have been prepared in accordance with German generally accepted accounting principles of the HGB.

EY has audited in accordance with Section 317 HGB and German generally accepted standards for financial statement audits and issued a German-language unqualified independent auditor's report with respect to the German-language Audited 2021 Consolidated Financial Statements and the German-language Audited 2020 Consolidated Financial Statements as well as to the German-language Audited Unconsolidated Financial Statements, respectively. The independent auditor's report with respect to the Audited 2020 Consolidated Financial Statements contains an emphasis of matter paragraph referring to the "diesel issue and potential regulatory issues identified" and the independent auditor's report with respect to the Audited Unconsolidated Financial Statements contains an emphasis of matter paragraph referring to an "Other matter" relating to the simplification provision of Section 264 para. 3 HGB. English translations of these financial statements and the independent auditor's reports thereon are included in this Prospectus, beginning on page F-29. PwC has audited in accordance with Section 317 HGB and German generally accepted standards for financial statement audits and issued a German-language unqualified independent auditor's report with respect to the Audited 2019 Consolidated Financial Statements. The independent auditor's report with respect to the German-language Audited 2019 Consolidated Financial Statements contains an emphasis of matter paragraph referring to the "emissions issue". English translations of these financial statements and the independent auditor's report thereon are included in this Prospectus, beginning on page F-291.

Where financial information in the following tables is labeled "audited", this means that the financial information has been taken from the Audited Consolidated Financial Statements or from the Audited Unconsolidated Financial Statements. The label "unaudited" is used in the following tables to indicate that the financial information has not been taken but derived from the Audited Consolidated Financial Statements or from the Audited Unconsolidated Financial Statements, or has been taken or derived either from the Unaudited Condensed Consolidated Interim Financial Statements or the accounting records or the internal management reporting systems of the Company or has been calculated based on figures from the aforementioned sources.

Unless otherwise indicated, financial information presented in the text and tables in this section of this Prospectus is shown in million Euro, rounded to a whole number. Percentage changes and ratios are rounded to the nearest whole number or one decimal place, as applicable. Because of this rounding, figures shown in tables in this section of this Prospectus do not necessarily add up exactly to the respective totals or sub-totals presented, and aggregated percentages may not exactly equal 100%. Furthermore, these rounded figures may vary marginally from unrounded figures that may be indicated elsewhere in the Prospectus. The financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") or nil signifies that the relevant figure is available but has been rounded to or equals zero.

The discussion and analysis below provide information that the Group believes is relevant to an assessment and understanding of the Group's historical financial position and results of operations. Prospective investors should read this discussion and analysis in conjunction with the sections entitled "2.5 Presentation of Financial Information" and "26 Financial Information".

This section includes forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause the Group's actual results to differ materially from those expressed or implied by such forward-looking statements. Results of operations for prior years ended are not necessarily indicative of the results to be expected for the current or next year ended or any future period. See "2.4 Forward-Looking Statements". The Group does not undertake any obligation to revise or publicly release the results of any revision to these forward-looking statements.

The following discussion of the Group's results of operations also refers to certain APMs. Prospective investors should bear in mind that these APMs are not financial measures defined in accordance with IFRS, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating profit as reported *under IFRS. For a reconciliation of the APMs to their most directly comparable IFRS financial measures, see "2.9 Non IFRS Financial Measures (Alternative Performance Measures)".*

10.1 Overview

Porsche is one of the world's most successful luxury automotive manufacturers (based on 2021 unit sales in the global luxury automotive segment; source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). Porsche believes that its iconic brand is synonymous with design and engineering heritage, racing legacy, performance, modern and sustainable luxury, prestige, innovation, technological achievement and reliability. Since the introduction in 1948 of the Porsche Type 356, the first official Porsche sports car, the Porsche brand has achieved numerous milestones: the introduction of perhaps the most iconic sports car of all time, the Porsche 911 (then referred to as the Porsche 901), in 1963, as well as the launch of the Porsche flat-six engine series; its first overall victory in the 24 Hours of Le Mans in 1970 with the Porsche 917 and a record 19 overall Le Mans victories; the launches of the Boxster in 1996, the Cayenne in 2002, the Panamera in 2009 and the Macan in 2013 and the debut of Porsche's first series production BEV, the Taycan, in 2019, among many others. Today, Porsche honors this legacy with an ambitious technological drive to reduce the impact of its vehicles and its operations on the environment while remaining committed to the famous words of Ferry Porsche: "The last car that will ever be built will be a sports car".

Porsche sells cars in around 120 countries worldwide across a network of more than 900 Authorized Dealer-operated dealership and retail venues ("**Porsche Centers**") (as of June of 2022). Porsche's core product portfolio of passenger cars includes six model families: the 911, the Taycan, the Macan, the Cayenne, the Panamera and the 718. Across these model families, the Group made 145,860 Deliveries in H1 2022 (of which Germany, Europe without Germany, North America, China and Rest of the World constituted 9%, 20%, 26%, 28% and 16%, respectively) and made 301,915 Deliveries in 2021 (of which Germany, Europe without Germany, North America, China and Rest of the World constituted 10%, 19%, 26%, 32% and 13%, respectively). In addition to its core product portfolio, Porsche offers vehicle leasing and financing, flexible mobility solutions and various aftersales products and services, and Porsche Motorsport participates in and designs and produces powertrains and cars for use in various racing competitions.

Porsche's headquarters and principal manufacturing facilities are located in Stuttgart-Zuffenhausen. The Group's Stuttgart-Zuffenhausen manufacturing facilities produce the Taycan, 911 and 718, along with Porsche Motorsport vehicles. Stuttgart-Zuffenhausen is also the seat of the majority of the Group's management team and home to the Group's quality management, logistics and other departments as well as the Porsche Museum. The Group also maintains manufacturing facilities in Leipzig, Germany, where the Macan and Panamera are produced, and produces Cayenne models at the Volkswagen Group's multi-brand site in Bratislava, Slovakia. As a result of high demand for Group vehicles and the complexity of preparing the Stuttgart-Zuffenhausen plant for upcoming BEV models of the 718, remaining ICE 718 models are planned to be produced by the Group at the Volkswagen Group's multi-brand production facility in Osnabrück, Germany, starting from the middle of 2023. Weissach, Germany, hosts the Porsche Research and Development Center, where Porsche vehicles are developed from first sketch to series production. The Group has other facilities in Germany focused on non-production Group activities, including in the Financial Services segment, and assembles a Cayenne model at a third-party assembly facility in Kulim District, Kedha, Malaysia, which is the first assembly facility utilized by Porsche located outside of Europe. As of June 30, 2022, the Group had a total of 37,655 employees (headcount).

Porsche fully embraces its responsibility to promote sustainable activity, both in its vehicles and its operations. Electrification is at the heart of the Group's strategy, with almost 25% of Deliveries worldwide in 2021 being Electrified Vehicles, with BEVs (*i.e.*, Taycan models) alone constituting 14% of Deliveries worldwide in 2021, and approximately 40% of Deliveries in Europe in 2021 being Electrified Vehicles. The Group's ambition is that, in 2025, over 50% of new vehicles delivered will be Electrified Vehicles and, in 2030, over 80% of new vehicles delivered will be BEVs. The Group intends to achieve this ambition through its sales of the Taycan, the upcoming Macan BEV and transitioning 718 models to BEVs, among other product initiatives. The Group also hopes to move into the manufacturing of high-performance battery cells via the Cellforce joint venture and is working on expanding charging infrastructure in various jurisdictions, including through the development of a proprietary Porsche charging network in Europe. Operationally, the Group is working towards a net carbon neutral value chain in 2030. The Group already achieved net carbon neutral status for its Stuttgart-Zuffenhausen manufacturing plant in 2020 and its Weissach and Leipzig sites in 2021.

Porsche has exhibited a strong financial track record and is committed to maintaining and building on its historical performance. Despite notable challenges confronting the global automotive industry in recent years, including the ongoing impacts of the Covid-19 pandemic and government measures to contain and overcome it, as well as global semiconductor shortages, the Group has grown its sales revenue annually to EUR 33,138 million in 2021 from EUR 28,518 million in 2019, representing a compound annual growth rate ("**CAGR**") of 8%, a trend which has continued in H1 2022, in which the Group recorded sales revenue of EUR 17,922 million, despite the Russia-Ukraine Conflict, energy price increases, ongoing supply chain disruptions and other challenges, as compared to EUR 16,525 million in H1 2021. The Group's operating profit for H1 2022 was EUR 3,480 million and for H1 2021 was EUR 2,792 million, translating into a Return on Sales of 19.4% and 16.9%, respectively. In 2021, the Group achieved an Automotive Net Cash Flow of EUR 3,676 million, an Automotive Return on Investment of 21.3% and an Automotive EBITDA of EUR 7,420 million, which resulted in an Automotive EBITDA Margin of 24.5%.

10.2 Key Performance Indicators

The table below sets out the key operational measure, IFRS financial measures and APMs for the Group as of the reporting dates and for the reporting periods indicated. For a reconciliation of each APM to the nearest IFRS financial measure, see "*2.9 Non IFRS Financial Measures (Alternative Performance Measures)*".

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR millions, unless otherwise indicated)				
Operational Measure					
Deliveries[1] (units) (*unaudited*)	145,860	153,656	301,915	272,162	280,800
IFRS Financial Measures					
Sales revenue	17,922	16,525	33,138	28,695	28,518
Operating profit	3,480	2,792	5,314	4,177	3,862[2]
APM					
Return on Sales[3] (*unaudited*)	19.4%	16.9%	16.0%	14.6%	15.4%

Notes:

(1) Deliveries is defined as the number of vehicles handed over to end-customers.

(2) Includes the EUR 535 million penalty notice issued by the public prosecutor's office in Stuttgart in 2019 related to the diesel issue. For more information, see "*10.6.17 Diesel Issue Penalty Notice in 2019*" below.

(3) Return on Sales is defined as the ratio of Group operating profit excluding the diesel issue penalty notice in 2019 to Group sales revenue. In 2019 the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. Return on Sales is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

The table below sets out the key IFRS financial measures and selected APMs for the Group's Automotive segment as of the reporting dates and for the reporting periods indicated. For a reconciliation of each APM to the nearest IFRS financial measure, see "*2.9 Non IFRS Financial Measures (Alternative Performance Measures)*".

	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited, unless otherwise indicated)				
	(EUR millions, unless otherwise indicated)				
AUTOMOTIVE SEGMENT					
IFRS Financial Measures					
Automotive sales revenue	16,425	15,107	30,289	26,086	26,060
Automotive operating profit	3,261	2,661	5,033	4,022	3,676[1]
APMs					
Automotive Return on Sales[2]	19.9%	17.6%	16.6%	15.4%	16.2%
Automotive EBITDA[3]	4,341	3,854	7,420	6,391	6,318
Automotive EBITDA Margin[4]	26.4%	25.5%	24.5%	24.5%	24.2%
Automotive Return on Investment[5]	—	—	21.3%	18.1%	18.5%
Automotive Net Cash Flow[6]	2,389	2,601	3,676	2,198	1,491
Automotive Net Cash Flow Margin[7]	14.5%	17.2%	12.1%	8.4%	5.7%
Automotive Net Liquidity[8]	5,597[9]	3,890	4,970	2,961	1,785

Notes:

(1) Includes the EUR 535 million penalty notice issued by the public prosecutor's office in Stuttgart in 2019 related to the diesel issue. For more information, see "*10.6.17 Diesel Issue Penalty Notice in 2019*" below.

(2) Automotive Return on Sales is defined as the ratio of Automotive operating profit excluding the diesel issue penalty notice in 2019 to Automotive sales revenue. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized. Automotive Return on Sales is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(3) Automotive EBITDA is defined as Automotive operating profit excluding the diesel issue penalty notice in 2019 before depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs and other intangible assets, each in the Automotive segment. Automotive EBITDA is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(4) Automotive EBITDA Margin is defined as the ratio of Automotive EBITDA (as defined above) to Automotive sales revenue. Automotive EBITDA Margin is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(5) Automotive Return on Investment is defined as the ratio of Automotive operating profit after tax to average assets invested in the Automotive segment. Average assets invested in the Automotive segment is defined as total Automotive operating assets (property, plant and equipment, intangible assets, inventories and receivables) less Automotive non-interest-bearing liabilities (trade payables and payments on account received) at the beginning and end of the reporting period. Automotive Return on Investment for the years ended December 31, 2021, 2020 and 2019 is audited. The Group does not present Automotive Return on Investment for half-year periods as it is an annual measure of performance. Automotive Return on Investment is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(6) Automotive Net Cash Flow is defined as cash flows from operating activities of the Automotive segment less cash flows from investing activities of current operations of the Automotive segment. The investing activities of current operations exclude the changes in investments in securities, loans and time deposits of the Automotive segment, Automotive Net Cash Flow is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(7) Automotive Net Cash Flow Margin is defined as the ratio of Automotive Net Cash Flow (as defined above) to Automotive sales revenue. Automotive Net Cash Flow Margin is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(8) Automotive Net Liquidity is defined as the total of cash and cash equivalents, securities, loans and time deposits net of third-party borrowings (non-current and current financial liabilities) of the Automotive segment. Automotive Net Liquidity is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(9) Automotive cash and cash equivalents include EUR 1,501 million of cash and cash equivalents that are classified as assets held for distribution as of June 30, 2022.

The table below sets out the key operational measure, IFRS financial measures and selected APMs for the Financial Services segment as of the reporting dates and for the reporting periods indicated. For a reconciliation of each APM to the nearest IFRS financial measure, see "*2.9 Non IFRS Financial Measures (Alternative Performance Measures)*".

	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited) *(EUR millions, unless otherwise indicated)*				
FINANCIAL SERVICES SEGMENT					
Operational Measure					
Penetration rate[(1)]	43.2%	43.2%	43.0%	42.2%	35.3%
IFRS Financial Measures					
Financial Services sales revenue	1,616	1,543	3,127	2,837	2,688
Financial Services operating profit	216	151	313	191	198
Financial Services total assets	11,260	—	10,629	8,676	7,930
Financial Services equity	1,964	—	1,625	1,339	1,277
APMs					
Financial Services Return on Sales[(2)]	13.4%	9.8%	10.0%	6.7%	7.4%
Financial Services Return on Assets[(3)]	—	—	3.3%	2.3%	2.6%
Financial Services Return on Equity before Tax[(4)]	—	—	21.2%	14.7%	16.7%
Financial Services Equity Ratio[(5)]	17.4%	—	15.3%	15.4%	16.1%

Notes:

(1) Penetration rate is defined as the number of new Group vehicle contracts including those vehicles used for dealer demonstrations and temporary replacements during periods of service divided by retail sales in the regions where the Financial Services segment operates. Retail sales means Deliveries to customers.

(2) Financial Services Return on Sales is defined as the ratio of Financial Services operating profit to Financial Services sales revenue. Financial Services Return on Sales is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(3) Financial Services Return on Assets is defined as Financial Services profit before tax divided by Financial Services average total assets. Financial Services average total assets is calculated as the average of Financial Services total assets at the beginning and end of the reporting period. The Group does not present Financial Services Return on Assets for half-year periods as it is an annual measure of performance. Financial Services Return on Assets is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(4) Financial Services Return on Equity before Tax is defined as Financial Services profit before tax divided by Financial Services average equity. Financial Services average equity is calculated as average Financial Services equity at the beginning and end of the reporting period. The Group does not present Financial Services Return on Equity before Tax for half-year periods as it is an annual measure of performance. Financial Services Return on Equity before Tax is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

(5) Financial Services Equity Ratio is defined as Financial Services equity divided by Financial Services total assets. Financial Services Equity Ratio is an APM and should not be viewed as an alternative to the equivalent IFRS financial measure.

10.3 Basis of Preparation of the Consolidated Financial Statements

In addition to the Company, the Consolidated Financial Statements include all material German and foreign subsidiaries of the Company, including structured entities, that are controlled directly or indirectly by the Company. Control exists if the Company has power over the potential subsidiary, directly or indirectly, as a result of voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and is able to affect those returns. Subsidiaries are included in the Consolidated Financial Statements from the date on which control is gained and deconsolidated when control no longer exists. The main purpose of the structured entities is to facilitate asset-backed securities transactions for the purpose of refinancing the financial services business and to invest financial resources in special securities funds. Subsidiaries that are dormant or have only negligible business activities, and unconsolidated structured entities that are not material, individually and in the aggregate, for the purpose of giving a true and fair view of the net assets, financial position and results of operations, as well as the cash flows of the Group, are not consolidated. Instead, such subsidiaries are carried in the Consolidated Financial Statements at cost less any impairments and reversals of impairments required to be recognized.

Material companies where the Company is able, directly or indirectly, to significantly influence financial and operating policy decisions ("associates"), or where the Company has joint control, directly or indirectly, together with another party ("joint ventures"), are accounted for at equity. Associates and joint ventures of immaterial importance are recognized at their respective costs or lower fair values.

The financial statements of consolidated subsidiaries prepared in foreign currencies are translated into Euros in accordance with IAS 21 using the functional currency concept, under which asset, liabilities and contingent liabilities are translated at the closing rate on the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated into Euros using weighted average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized in other comprehensive income until disposal of the subsidiary concerned and are presented as a separate item in equity. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

The Consolidated Financial Statements were prepared using the historical cost principle, except for certain items such as financial instruments measured at fair value and provisions for pensions and similar obligations. The consolidated income statement has been prepared using the function of expense method.

10.4 Segment Reporting

No segment reporting is disclosed in the Audited Consolidated Financial Statements. Beginning with the Unaudited Condensed Consolidated Interim Financial Statements and for future financial reporting purposes, the Group has two reportable segments: Automotive and Financial Services. The reportable segments are presented before inter-segment consolidation and are based on the internal reporting and management structure of the Group as the basis for the allocation of resources. The reportable segments are largely organized and managed separately according to the nature of the products and services provided.

The key activities of the segments are as follows:

- The Automotive segment includes the Group's operations in the manufacture and sale of vehicles and engines of all kinds as well as parts and assemblies for such and other technical products. The Automotive segment also includes the performance of development and design activities (in particular, in the areas of vehicle and engine construction), consulting in the area of development and production (in particular, in the area of vehicle and engine construction), consulting and development of data processing as well as the creation and sale of data processing products, marketing of goods using the Group's trademark rights (in particular, those with the component "Porsche") and other activities that are technically or commercially related to this (including the exploitation of industrial property rights).

- The Financial Services segment covers the Group's financing and leasing services for customers and dealers as well as mobility offerings and other financial services.

10.4.1 Reporting by Products and Services and by Geographic Regions

The Group reports sales revenue disaggregated into two categories by the type of products and services (corresponding to the reportable segments described above) and by geographic regions based on the location of the customer. The reported geographic regions are: Germany, Europe without Germany, North America (comprising the United States of America and Canada), China (including Mainland China and Hong Kong) and Rest of the World. Rest of the World includes South America (including Mexico), Africa, Asia (excluding China), Australasia and the Middle East.

10.5 Summary of Porsche's Economic Model

The Group believes it has a unique economic model. Its customers have a deep passion for its products which allows the Group to sell its vehicles at competitive price points. Consequently, the Group achieved average Automotive sales revenue per delivered vehicle of approximately EUR 100,000 in 2021, approximately double the average sales revenue per delivered vehicle of OEMs targeting the premium car segment (including Audi, BMW, Mercedes-Benz, Tesla and Volvo Cars). The Group believes that it is in a unique position because it is able to combine its luxury pricing strategy and customer demand with strong scale effects. Compared to niche luxury OEMs, the Group has greater scale which it believes enables it to invest greater resources with a higher level of efficiency in its luxury performance vehicles. The Group also benefits from synergies with the Volkswagen Group.

The Group's scale and its lean cost structure have enabled it to generate Automotive EBITDA margin of 26.4% in H1 2022, 25.5% in H1 2021, 24.5% in 2021, 24.5% in 2020 and 24.2% in 2019. In addition, the Group believes that it is advanced in its investment cycle. It has made significant investments in its electrification strategy in previous years, which it expects to build on going forward. The Group believes that this strategy creates the potential for improved cash flows once it fully leverages these investments.

10.6 Key Factors Affecting the Results of Operations

The Group believes that the factors discussed below have significantly affected its results of operations in the past reporting periods for which financial information is presented in this Prospectus, and that these factors will continue to have a material influence on its results of operations in the future.

10.6.1 Macroeconomic and Geopolitical Conditions

The Group's results of operations are impacted by the macroeconomic and geopolitical conditions in the Group's key regional markets of China, Europe (including Germany) and North America, which comprised 28%, 30% and 26%, respectively, of the Group's Deliveries in H1 2022, and 32%, 29% and 26%, respectively, of the Group's Deliveries in 2021. During H1 2022, 2021, 2020 and 2019, China was the Group's single largest market by number of Deliveries.

Demand for luxury vehicles is influenced by a number of factors, including, among others, consumers' net purchasing power, their confidence in future economic developments and changes in economic trends. While affected by global macroeconomic conditions, the luxury automotive segment is also impacted by several other factors, such as, in recent years, the significant growth in high net worth individuals, typically defined as individuals with assets ranging from USD 1.0 to 30.0 million ("**HNWIs**") (source: Knight Frank January 2022), the increasing share of Generation Y, individuals born between 1980 and 1995, ("**Millennials**") and Generation Z, individuals born between 1996 and 2012, ("**Gen Z**") and the rising number of women participating in the market. See "*10.6.3 Performance of Luxury Automotive Segment and Luxury BEV Market*" below.

The economic environment and macroeconomic conditions influence levels of disposable income and consumer spending, thereby impacting demand for luxury vehicles. Demand for luxury vehicles typically also correlates with economic growth, with growth in such demand generally exceeding GDP. As a general matter, actual or anticipated improvements in economic conditions result in higher demand for luxury vehicles while a weak or uncertain economic environment, particularly when combined with low consumer confidence, high or increasing inflation and interest rates and similar negative economic developments, may disproportionately reduce demand for luxury vehicles, including those of the Group, due to the discretionary nature of such purchases. Negative economic conditions may also result in the cancellation of existing orders, further impacting projected Deliveries. Correspondingly, increases in the disposable income of potential customers generally have a positive impact on demand for the Group's vehicles while decreases in potential customers' disposable income or their financial flexibility, an increase in the overall cost of financing, or consumer concerns about the social perception of purchasing luxury products, generally have a negative impact on demand for the Group's vehicles.

Economic factors like volatility in financial markets, macroeconomic policy, trade policy and conflicts, business and consumer sentiment, monetary policy (*i.e.*, interest rates), inflation, commodity prices, public and private debt levels and government policies targeting public spending, such as fiscal austerity policies, can impact disposable income, which affects demand for new luxury cars. Furthermore, geopolitical events, domestic political tension, military conflicts, pandemics, natural disasters, terrorism or other unforeseen events may prompt unexpected responses from the markets and declines in demand for the Group's vehicles. Recent developments which have had a significant impact on macroeconomic conditions around the world include the Covid-19 pandemic and the Russia-Ukraine Conflict. The Covid-19 pandemic has had an adverse effect on each of the Group's markets since 2020. Government measures to contain the Covid-19 pandemic resulted in a significant decline in business activity around the world and steep drops in economic activity in the Group's key markets. The Russia-Ukraine Conflict and the sanctions, export-control measures and other actions taken in response to it have contributed and will likely continue to contribute to increased inflationary pressures (including increased prices for oil and natural gas), gas supply shortages, supply chain disruptions, market volatility and economic uncertainty, particularly in Europe for H1 2022 and future periods.

Following a temporary decline in global economic output in 2020 as a result of the onset of the Covid-19 pandemic, GDP growth rates recovered across both developed economies and emerging markets in 2021, increasing at a faster pace than before the Covid-19 pandemic (source: World Bank, "Global Economic Prospects June 2022"). The following table sets out actual GDP growth in the Group's key regional markets.

	Year Ended December 31,		
	2021	**2020**	**2019**
Eurozone	5.4%	(6.4)%	1.6%
United States	5.7%	(3.4)%	2.3%
China	8.1%	2.2%	6.0%
Total	5.7%	(3.3)%	2.6%

Source: World Bank, "Global Economic Prospects June 2022"

In 2020, the Covid-19 pandemic and government measures responsive to it caused the global economy to contract by 3.3% in real terms (source: World Bank, "Global Economic Prospects June 2022"). Central banks and governments around the world implemented extensive and expansive measures in order to mitigate the impact of the economic downturn on companies and employees, including significant borrowing programs that increased government deficits. While demand for the Group's products was not materially affected by the Covid-19 pandemic and its impacts during 2020, the Group experienced significant operational constraints, which limited its ability to increase Deliveries in line with existing demand. In response to supply chain disruptions arising as a result of the onset of the Covid-19 pandemic, the Group implemented a series of measures, including a six-week production suspension during the six months ended June 30, 2020 ("**H1 2020**"), which adversely impacted the Group's production volumes and Deliveries. In 2020, the Group experienced a 4% decrease in total production and a 3% decline in Deliveries. Nationwide lockdowns and shelter-in-place orders during the first wave of the Covid-19 pandemic significantly impacted global supply chains, with a large number of the Group's partners suspending production and most of the Group's partner dealerships closing temporarily. The Group's employees, suppliers and retail partners introduced new ways of working and selling to ensure that customers received Deliveries and required maintenance. While the Group's period-on-period sales revenue growth slowed in 2020, increasing by 1% in 2020 compared to 15% in 2021 and 8% in H1 2022, the Group continued to generate sustainable sales revenue during 2020 due to consistently strong demand for its vehicles.

Global economic growth, primarily driven by an increase in consumer spending, rebounded strongly in 2021, reaching a growth rate in real terms of 5.7% by the end of the year compared to a contraction of 3.3% in real terms in 2020 (source: World Bank, "Global Economic Prospects June 2022"). GDP in the Eurozone and the United States grew by 5.4% and 5.7%, respectively, while the Chinese economy grew by 8.1% in 2021 (source: World Bank, "Global Economic Prospects June 2022"). Broadly positive economic trends supported a strong demand recovery in China, North America and, to a lesser extent, Europe, driving an increase in Group sales revenue to EUR 33,138 million in 2021 compared to EUR 28,695 million in 2020. In 2022, however, this economic outlook has deteriorated significantly.

During H1 2022, the partial recovery in the global economy was adversely affected by the Russia-Ukraine Conflict, supply chain constraints, mainly caused by shortages of semiconductors and new lockdowns introduced to contain Covid-19 in China. The ongoing government reimposition of lockdowns in parts of China throughout 2022 has resulted in numerous Porsche dealerships having to close, certain suppliers of non-production related services for Porsche entities in China suspending operations, certain suppliers of the broader Group (*i.e.*, Group entities located outside of China) being unable to export out of China and traffic restrictions at the Shanghai harbor, a major shipping hub into and out of central China. The lockdowns have also contributed to increased levels of economic uncertainty throughout the country. These developments, together with the supply chain constraints and logistics challenges, negatively impacted Deliveries during H1 2022. To the extent that new lockdowns are imposed in response to the Covid-19 pandemic in China or in any of the Group's other key markets, this may impact the Group's results in the future. The Russia-Ukraine Conflict has also resulted in supply chain constraints as well as higher food and energy prices and decreasing disposable income. Along with other increases in the cost of living, these factors have driven and continue to drive inflation and reduced consumer confidence. During the course of 2022, inflation has increased significantly in Europe and the United States. The inflation rate in the Eurozone was 9.1% in August of 2022 (source: Eurostat, European Commission, "Flash estimate—August 2022"), compared to 3.0% in August of 2021 (source: Eurostat, European Commission, "Flash estimate—August 2021") and -0.3% in August of 2020 (source: Eurostat, European Commission, "Flash estimate—August 2020"). Inflation in the Eurozone is expected to increase to 7.6% by the end of 2022 (source: European Commission, "European Economic Forecast—Summer 2022"). Similarly, inflation in the United States increased to 8.3% in August of 2022 (source: U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2022"), compared to 5.3% in August of 2021 (source: U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2021") and 1.3% in August of 2020 (source: U.S. Bureau of Labor Statistics, "Consumer Price Index—August 2020"), with inflation in 2022 expected to remain elevated compared to prior years (source: U.S. Federal Reserve, "Summary of Economic Projections June"). For the Group, during H1 2022, Deliveries in China declined by 16% largely as a result of supply chain constraints, the closure of Porsche Centers and logistics challenges. However, in spite of the economic and geopolitical conditions, the Group's worldwide sales revenue increased by EUR 1,397 million, or 8%, to EUR 17,922 million in H1 2022, as compared to EUR 16,525 million in H1 2021.

Going forward, the Group's management expects macroeconomic and political conditions to continue to impact the Group's results, particularly as it aims to focus on enhancing product mix in key established markets, such as China. In June of 2022, the World Bank warned that the Russia-Ukraine Conflict has magnified the slowdown in the global economy triggered by the Covid-19 pandemic and predicted that the global economy was entering what could become a protracted period of low growth and elevated inflation. In particular, global GDP growth is expected to decrease from 5.7% in 2021 to 2.9% in 2022, significantly lower than the 4.1% that the World Bank predicted in January of 2022 (source: World Bank, "Global Economic Prospects June 2022"). Global growth is expected to remain at a similar level over 2023 and 2024 as the Russia-Ukraine Conflict disrupts economic activity, investment and trade in the near term and pent-up demand built up during the Covid-19 pandemic fades and accommodative fiscal and monetary policies are withdrawn or tempered by central banks and governments. GDP growth rates in the Group's key markets are also expected to decrease compared to 2021, with the United States declining from 5.7% in 2021 to 2.5% in 2022 to 2.4% in 2023 and 2.0% in 2024, the Eurozone declining from 5.4% in 2021 to 2.5% in 2022 and further to 1.9% in 2023 and 2024, and China declining from 8.1% in 2021 to 4.3% in 2022 before recovering to 5.2% in 2023 and 5.1% in 2024 (source: World Bank, "Global Economic Prospects June 2022").

10.6.2 Impact of the Russia-Ukraine Conflict

As a result of the Russia-Ukraine Conflict, numerous countries and the EU have instituted and continue to institute coordinated sanctions and export-control measures against Russia and Russian and Belarussian persons and entities, including extensive trade embargoes, asset freezes and the exclusion of certain Russian and Belarusian banks from the global financial system, among other measures. In response to the measures imposed against it, Russia has sanctioned persons and entities within so-called "non-friendly" countries. Further actions taken by Western and other states and the EU in response to the Russian invasion of Ukraine, including, among other things, the potential effects of sanctions, export-control measures, travel bans and asset seizures, as well as Russian retaliatory actions, including, among other things, further restrictions on oil and gas exports and cyber-attacks, on the world economy and markets, have contributed and will be likely to continue to contribute to increased food, commodity and energy prices, global supply chain disruptions, parts shortages, fluctuations in exchange rates and market volatility and uncertainty.

The Russia-Ukraine Conflict and the related sanctions have created significant global economic uncertainty and have threatened to exacerbate pre-existing global economic challenges such as those arising from the ongoing Covid-19 pandemic and its consequences, increasing inflation and slowing economic growth. Capital markets and exchange rate volatility has increased significantly and the risk of a global economic recession, or recessions in key economies like the United States and Europe, has increased. Such developments may lead to a decline in the willingness or ability of potential customers to purchase the Group's vehicles, among other consequences. See "*1.1.2 The Russia-Ukraine Conflict and the sanctions imposed by numerous countries and multinational entities in response, as well as countermeasures by Russia, have had, and may continue to have, adverse impacts on the global economy, the global capital markets, international trade, supply chains, energy prices and supplies and the price and availability of raw materials, parts and components, any of which could negatively impact the Group's operations*".

Combined with the sanctions on Russian oil and the overall impact of the war on energy markets, these actions have caused and may continue to cause significant increases in energy prices and potential energy shortages throughout Europe as well as adversely impact European economies and manufacturers such as the Group and its Europe-based suppliers which rely on affordable energy to carry on their operations. Russia has cut exports of natural gas to various European countries and has progressively reduced, or for periods of time, paused entirely, deliveries of natural gas to other European countries, including Germany, and could potentially entirely cut off the supply of natural gas to Germany or Slovakia where the Group produces vehicles, or to other European countries. On May 30, 2022, EU leaders reached an agreement to ban most Russian oil imports (including oil and petroleum products, but with a temporary exemption for oil delivered from Russia by pipeline). Furthermore, on July 26, 2022, the EU agreed a plan to reduce their gas consumption through March of 2023 by 15% compared with the five-year average for the same period, amidst concerns that Russia would halt gas supplies to Europe. Germany and Slovakia, where most of the Group's vehicles are produced, as well as other European countries, rely to a significant extent on oil and natural gas sourced from Russia and government and private sector plans to reduce this exposure will require an extended period of time to take effect. In Germany, on June 23, 2022, the BMWK declared that the country had reached the next level of its Gas Emergency Plan, the so-called 'alert level', indicating a situation in which there is a disruption of gas supply or exceptionally high gas demand that results in a significant deterioration of the gas supply situation, but where the market is in principle still able to manage the disruption or demand, including by raising prices. Germany's federal, state and local governments have already been compelled to take steps in response to these events in order to reduce energy consumption in the public and private sector. The German government has also been compelled to provide emergency financing to a number of major energy companies to avoid their collapse and has introduced further measures to support certain other energy-intensive companies.

These developments have caused and may continue to cause significant increases in energy prices and potential energy shortages throughout Europe as well as adverse impacts on European economies and manufacturers such as the Group and its Europe-based suppliers which rely on affordable energy, to carry on their operations. To the extent that European countries, including Germany and Slovakia, are unable to refill gas storage facilities to the extent currently planned, the impact on European economies and manufacturers, including the Group, may become particularly acute in the autumn and winter months of 2022 into 2023 and again in 2023/2024, particularly in the case of an especially cold winter.

If the EU imposes an embargo on, or significantly reduces imports of, Russian natural gas before securing alternative sources, or if Russia unilaterally ceases or further limits the supply of natural gas to further European countries, including Germany, this will likely cause further increases in gas prices as well as electricity prices (each which have already reached record highs in Europe in past months and are expected to remain volatile), given that a significant amount of electricity in Germany and throughout Europe is generated by gas. Other consequences could include further supply chain problems, energy shortages and production stoppages among many manufacturers in affected areas, including the Group and many of its suppliers which rely on substantial amounts of gas and electricity to carry on their commercial operations. In the long-term such developments may lead to rising unemployment and economic recessions in the affected countries, which could also lead to declines in sales of the Group's products.

As a result of the invasion, the Group discontinued the export of vehicles and, to the extent required by EU sanctions, spare parts to Russia and Belarus. Although the Group continues to operate three subsidiaries in Russia (which, respectively, serve as importer, own retail and financial services entities), it is currently evaluating options regarding its market presence in Russia. This includes a possible sale of those subsidiaries to an independent third party investor. Any such sale would be subject to various conditions and approvals, and there is no assurance that it will take place. While sales and operations in Russia did not contribute a material amount of sales revenue, Deliveries to the Russian and Belarussian markets accounted for approximately 2% of customer Deliveries for the Group in 2021.

The Group has also experienced production disruptions as a result of the Russia-Ukraine Conflict. The Group as well as certain suppliers on which it relies have experienced shortages of raw materials, parts and components which are sourced from Ukraine (such as wire harnesses and steel products) and Russia (such as aluminum, copper and steel products), or which are typically transported through these locations, as well as price volatility for raw materials more generally. Due to a lack of components caused by the invasion, the Group temporarily paused production of its Macan and Panamera models between March 3, 2022 and March 11, 2022, its Taycan models between March 10, 2022 and March 25, 2022, its 718 series models between March 15, 2022 and March 25, 2022, and its Cayenne models between March 16, 2022 and March 22, 2022 as well as March 28, 2022 and April 8, 2022. The Group sources wire harnesses, a key component in its production process, and other repair parts from suppliers in Ukraine, which led to production delays. At the start of the invasion, the Group's supply of wire harnesses was initially significantly reduced, impacting production. While production in Ukraine has stabilized, the Group has duplicated the sources of its wire harness following a redundancy strategy, in order to mitigate the risk of any further production stoppages as a result of the conflict. The Russia-Ukraine Conflict has further negatively impacted rail and air freight, particularly between Europe and Asia, and has put increased pressure on sea freight, which already faced delays, bottlenecks and rapidly increasing freight rates, as a result of the Covid-19 pandemic. This has led to delays and increases in costs associated with Deliveries as the Group has shifted to shipping vehicles to its largest market, China, via sea freight only rather than the previously used split of rail and sea freight, as the rail lines previously utilized by the Group pass through potentially conflicted territory.

In response to the economic risks posed by the Russia-Ukraine Conflict, some EU countries, including Germany, have enacted emergency contingency plans in the event of 'emergency level' fuel shortages. Under such plans, suppliers deemed by the government to be non-essential, could see severe curtailment or stoppage of gas supplies normally distributed through the public gas network. Any such curtailment to the Group or its suppliers, could significantly impact the Group's supply chain and production capacity.

10.6.3 Performance of Luxury Automotive Segment and Luxury BEV Market

Demand for the Group's vehicles is also impacted by demand in the luxury automotive segment and, going forward, demand for luxury BEVs. The Group believes that it is in the so-called "sweet spot" of the luxury automotive segment, and it expects to benefit from strong structural growth trends, including growth in luxury sports cars, luxury SUVs and luxury BEVs.

The Group's products target the luxury automotive segment, where the Group achieved average Automotive sales revenue per delivered vehicle of approximately EUR 100,000 in 2021, approximately double the average Automotive sales revenue per delivered vehicle of OEMs targeting the premium car segment (including Audi, BMW, Mercedes-Benz, Tesla and Volvo Cars). According to McKinsey, although the luxury automotive segment represents only a small portion of the overall automotive market, it is expected to experience the highest growth rates within the market between 2021 and 2031 (source: McKinsey July 2022). McKinsey categorizes luxury vehicles as car models with a manufacturers' suggested retail price of $80,000 or more. Vehicles priced at less than $80,000 are classed as non-luxury vehicles and represented between 97% and 98% of the global automotive market in 2021 (source: McKinsey July 2022). McKinsey expects the overall luxury automotive segment to grow at a CAGR of 8% to 14% between 2021 and 2031, compared to a CAGR of approximately 1% in the non-luxury automotive segment (source: July 2022). McKinsey breaks the luxury automotive segment down into four sub-segments on the basis of price, projecting CAGRs of between 8% to 10% or higher depending on the sub-segment.

The size of the luxury automotive segment is driven by a number of factors, including macroeconomic growth (as discussed above), growth in the number of HNWIs, the increasing share of Millennials and Gen Z and the rising number of women participating in the segment, as well as changes in demand patterns among these individuals.

The Group estimates that the annual average gross household income of its customers in Germany, China and the United States in 2021 was between EUR 320,000 and EUR 510,000. See "*12.2.3 Superior customer experience*". According to Knight Frank, the number of HNWIs grew at a CAGR of 10% between 2016 and 2021 and is expected to grow by a CAGR of 9% between 2021 and 2026, resulting in the number of HNWIs more than doubling from 43.1 million in 2016 to 106.3 million in 2026. In 2021, unprecedented government stimulus packages, low-interest-rate environments, increased liquidity, stock market gains and widespread

Covid-19 vaccinations accelerated the growth of the number of HNWIs. The growth of the Group's prospective customer base means that demand for its products has been and is expected to continue to be resilient. On a regional basis, between 2021 and 2026, Knight Frank projects that the number of HNWIs will grow at a CAGR of 13% in China, 9% in North America, 8% in Europe and 7% in Asia-Pacific, Africa and the Middle East. The Group has developed a strong presence in China driven by the success of its SUV and sports limousines models, and other markets in the Rest of the World region that the Group believes are key future growth regions. As a result, the Group believes that it is well-positioned to benefit from these underlying regional and global trends.

The growth in the number of HNWIs has been accompanied by an evolution in the needs of luxury customers. The Group believes that the next generation of luxury customers, which is younger and more heterogenous, is becoming increasingly relevant. The Group also expects the share of women HNWIs to grow, further driving demand in the luxury automotive segment.

The Group expects demand for luxury and customization to increase as a larger number of HNWIs drives demand for higher specifications and unique or personalized features to distinguish their vehicle from others. In China, approximately 84% of luxury vehicle buyers value personalization options in their vehicles (McKinsey July 2022). The Group aims to fulfill customization requests by offering limited-edition models, premium features and end-to-end customization through the Group's special request program under the Porsche Exclusive Manufaktur sub-brand ("**Porsche Exclusive Manufaktur**"). This trend is expected to continue to have a positive effect on the Group's sales revenue and profitability as the Group charges a premium for options and customization. The Group is focused on continually enhancing its product mix in established markets, such as China, by targeting higher-margin customization and premium packages, see "*10.6.6 Price and Product Mix*".

Porsche is well-positioned at the intersection of the luxury, SUV and BEV markets, market segments that the Group believes have sustainable future growth potential. The Group's 911 and 718 model families are sold into the two-door sports car portion of the luxury automotive segment, which is expected to grow steadily in coming years. According to S&P Global Mobility, which defines the luxury automotive segment with reference to brand positioning and product offering, sales volumes for luxury sports cars are expected to grow by 7% per year between 2021 and 2026. SUVs comprise the largest part of the automotive market (source: S&P Global Mobility Light Vehicle Powertrain and Alternative Production Forecast April 2022). Growth in SUVs is expected to drive further demand for the Group's vehicles, enabling additional growth. Sales volumes in the SUV portion of the luxury automotive segment is projected to grow at a CAGR of approximately 6% per year between 2021 and 2026 (source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). Since 2018, the Group's SUVs have experienced the highest demand of all of the Group's vehicles, with the Cayenne being the Group's bestselling series in H1 2022, H1 2021 and 2020, and the Macan being the Group's bestselling series in 2021 and 2019. The Group's SUVs comprised 57% of total Deliveries in 2021. The Group expects that luxury SUVs will remain a key source of growth across its markets, particularly for larger models that are in high demand in China and the United States.

The Group expects a principal driver of its future growth to be growth in the BEV portion of the luxury automotive segment, with the Group considering the transition to BEVs to be a significant opportunity. Regulators worldwide are increasingly setting stringent decarbonization requirements, including through the rapid promulgation of regulations and incentives to accelerate the shift to sustainable mobility. Furthermore, consumer sentiment among premium and luxury car owners is moving in favor of owning BEVs due to a focus on sustainability. Over 70% of current owners of premium and luxury ICE vehicles state that they would switch to BEVs (source: McKinsey July 2022). In its base scenario for BEV growth in the luxury automotive segment, McKinsey estimates that the share of BEVs in the $80,000 to $149,000 portion of the luxury automotive segment will increase from approximately 4% in 2021, to between 20% and 25% in 2026 (between 35% and 40% on an accelerated uptake scenario) and between 40% and 50% in 2031 (between 65% and 75% on an accelerated uptake scenario). In the $150,000 to $299,000 portion of the luxury automotive segment, McKinsey estimates that the share of BEVs will increase from 2% in 2021 to between 15% and 20% in 2026 (between 27% and 32% on an accelerated uptake scenario) and between 45% and 55% in 2031 (between 70% and 80% on an accelerated uptake scenario). McKinsey also expects that SUVs will be the largest luxury BEV market (McKinsey July 2022). For an explanation of the methodology underpinning McKinsey's base and accelerated scenarios, see "*11.3 Sizeable Luxury Automotive Segment*".

Porsche is well-positioned in the luxury automotive segment, including in luxury BEVs. In 2019, the Group launched its Taycan luxury BEV. In 2021, the Taycan became the Group's third most popular model by Deliveries with over 40,000 Taycan models delivered to customers. In the same year, the second after the launch of the Taycan, the Group achieved an approximate 40% BEV/PHEV share of total vehicles in Europe.

Between November of 2019 and June of 2022, approximately 60% of the model's initial purchasers were first time Porsche buyers. The Group is investing in capturing optimal participation in the growth in the BEV market through the introduction of new BEV products like the Macan BEV and the electric 718 and Cayenne successors. In 2021, BEVs comprised 14% of the Group's Deliveries. The Group's ambition is for BEVs to comprise over 80% of new vehicles delivered in 2030.

10.6.4 Deliveries

The number of Deliveries is a key driver of the Group's sales revenue. The Group's management considers Deliveries to be an important performance indicator for measuring Automotive sales success in the Group's markets and for benchmarking against competitors.

Deliveries are defined as the number of vehicles handed over to end customers. The handover is the point at which risk is transferred to the end customer. End customers in this context are individuals, manufacturers, importers, dealerships, fleet customers, direct customers, car rental companies, leasing companies, authorities, insurance companies, and others, provided that they intend to use the vehicle. The Group recognizes sales revenue when a vehicle leaves the Group (*i.e.*, the related quantity of vehicles are accounted for as Automotive sales), typically in a wholesale transaction but also in retail transactions where the Group owns the dealership. During H1 2022, H1 2021, 2021, 2020 and 2019, revenue from the sale of vehicles comprised 79%, 77%, 77%, 75% and 77% of the Group's sales revenue, respectively. Typically, total Automotive sales (and therefore sales revenue recognition) closely align with Deliveries because a significant share of Automotive sales relate to underlying customer orders; however, differences between Automotive sales and Deliveries may occur because sold vehicles are not transferred to the customer during the period in which they were sold (*e.g.,* due to logistics times). Such Deliveries are impacted by a number of factors, including general economic conditions, general car market conditions and new product introductions. Direct transactions with customers also drive sales revenue in the Group's Financial Services segment by increasing demand for the financing, leasing and mobility products offered by the Group.

The following table sets forth the Group's Deliveries in total and broken down by geographic region and model for the reporting periods indicated.

	Six Months Ended June 30,		Year Ended December 31,		
	2022	2021	2021	2020	2019
			(unaudited)		
DELIVERIES BY GEOGRAPHIC REGION					
Germany	13,785	13,094	28,565	26,152	31,618
Europe without Germany	29,833	27,929	58,576	55,580	57,867
North America	37,605	41,034	79,166	64,696	70,593
China	40,681	48,654	95,671	88,968	86,752
Rest of the World	23,956	22,945	39,937	36,766	33,961
DELIVERIES BY MODEL					
Macan	38,039	43,618	88,362	78,124	99,944
Cayenne	41,947	44,050	83,071	92,860	92,055
Taycan	18,877	19,822	41,296	20,015	813
911	21,616	20,611	38,464	34,328	34,800
Panamera	15,604	13,633	30,220	25,051	32,721
718 (Boxster and Cayman) Series	9,777	11,922	20,502	21,784	20,467
Total Deliveries	145,860	153,656	301,915	272,162	280,800

During H1 2022, Deliveries decreased compared to H1 2021, primarily as a result of lockdowns imposed in response to a resurgence of the Covid-19 pandemic in China and other markets as well as ongoing supply chain- and logistics-related challenges. Deliveries during H1 2021 also represented a record number of half-year Deliveries compared to historical performance. The Group reached an annual record of 301,915 Deliveries in 2021, an increase of 11% compared to 2020, in spite of challenging macroeconomic conditions related to the Covid-19 pandemic and the semiconductor shortage. This increase in Deliveries aligned with an increase in Automotive sales which caused sales revenue to increase by 15% to EUR 33,138 million in 2021 from EUR 28,695 million in 2020. Prior to the Covid-19 pandemic, the Group made 280,800 Deliveries in 2019, contributing to sales revenue of EUR 28,518 million in 2019.

Since 2019, the strong performance of both the Group's new Taycan model and its existing models has supported the development of the Group's Deliveries. The launch of the Taycan marked the start of the Group's electrification transformation. In 2021, Deliveries of the Taycan increased to 41,296 units from 20,015 units in 2020, demonstrating the appeal of a BEV to Porsche customers. Alongside the performance of the Taycan, the Group's two-door sports cars maintained consistently strong volumes throughout the last three years, with the 911 achieving a record of 38,464 Deliveries in 2021, while the Cayenne and Macan accounted for 57% of Deliveries in 2021.

The Group's order bank, which comprises all of the Group's active customer orders (with and without an allocated production quota) which have not been delivered, reached its highest level in August of 2022. In H1 2022, the Group received orders for 169,624 vehicles worldwide compared to 187,794 orders in H1 2021. In Germany and the Rest of the World, the Group had a higher number of orders in H1 2022 compared to H1 2021 while in North America, China and Europe without Germany the Group had a lower number of orders in H1 2022 compared to H1 2021. The decreases primarily resulted from record numbers of orders during H1 2021 in North America and China as well as the new lockdowns introduced to contain Covid-19 in China and the significant reduction in the Group's activities in Russia, both during H1 2022.

10.6.5 Geographic Region Mix

The Group's results of operations are affected by the mix of its Automotive sales in different regions. The Group manufactures the majority of its vehicles at its production facilities in Stuttgart-Zuffenhausen or Leipzig and also produces the Cayenne model at the Volkswagen Group's multi-brand production site in Bratislava and at a third-party assembly facility in Kulim District, Kedha, Malaysia, which is the only assembly facility utilized by Porsche located outside of Europe to comply with local content rules. Furthermore, the Group plans to assemble the remaining units of its current 718 ICE models at the Volkswagen Group's multi-brand manufacturing facility in Osnabrück, Germany. The vehicles are handed over from these locations to dealers and distributors operating in over 120 countries. As a result of its production model and industrial cooperation with the Volkswagen Group, which allows the Group to implement efficiencies in production and manage volumes, the Group's cost of materials does not vary significantly between markets, and the profitability of vehicle models within different markets is primarily driven by the Group's pricing strategy within the respective market, vehicle specifications (with customer preferences for premium features and equipment varying between regions), tariffs and import duties as well as foreign exchange rates. See "*10.6.16 Foreign Exchange Rate Fluctuations*" below. This enables the Group to realize different margins on sales of the same model in different regions. As the luxury automotive market transitions to BEVs, the Group expects to continue to benefit from the shared manufacturing platforms to which it has access through its industrial cooperation with the Volkswagen Group.

Automotive sales are recognized when a vehicle leaves the Group, typically in a wholesale transaction but also in retail transactions where the Group owns the dealership. In contrast, a Delivery occurs when a vehicle is handed over to the end customer. Typically, total Automotive sales (and therefore sales revenue recognition) closely align with Deliveries because a significant share of Automotive sales relate to underlying customer orders; however, differences between Automotive sales and Deliveries may occur because sold vehicles are not transferred to the customer during the period in which they were sold (*e.g.,* due to logistics times). The following table sets out the Group's Automotive sales (including new and used vehicles) by region for the reporting periods indicated.

	Six Months Ended June 30,		Year Ended December 31,		
	2022	2021	2021	2020	2019
			(unaudited)		
AUTOMOTIVE SALES BY GEOGRAPHIC REGION					
Germany	12,474	13,050	26,788	23,321	27,853
Europe without Germany	28,943	28,220	61,288	55,085	61,298
North America	37,086	37,274	74,431	63,828	66,573
China	46,664	49,450	94,826	87,730	87,751
Rest of the World	23,401	23,706	39,956	35,025	33,413
Total	148,568	151,700	297,289	264,989	276,888

Growth in China has been primarily driven by the growing number of HNWIs, including increasing numbers of women and Millennials. In previous years, the Group has focused on developing its market presence in China, which has required a certain level of growth in Deliveries. However, the Group believes that its presence in China is now in a mature state, enabling it to focus more on mix and pricing going forward. North America was the Group's fastest-growing region in 2021. In Europe without Germany, Automotive sales increased by 3% in H1 2022 to 28,943 from 28,220 in H1 2021 after increasing 11% in 2021 to 61,288 and decreasing by 10% to 55,085 in 2020 from 61,298 in 2019 as a result of the impact of the Covid-19 pandemic. In Rest of the World, Automotive sales decreased in H1 2022 to 23,401 from 23,706 in H1 2021 after increasing by 14% to 39,956 in 2021 from 35,025 in 2020 and 33,413 in 2019.

10.6.6 Price and Product Mix

The Group's results of operations are also driven by the average price at which the Group's models are sold and the product mix. The Group applies a unique combination of controlled Automotive sales growth (with a view to maintaining the exclusivity of its models) and consistent price improvement across the product mix.

The Group produces exclusive luxury sports vehicles while benefiting from economies of scale which enable it to deliver higher volumes than niche OEMs of luxury sports vehicles. Porsche aims to sell its products at attractive price points, applying a disciplined pricing strategy and carefully managing price throughout the model cycle. The Group's vehicles are generally priced at a premium to those of its competitors in the premium car segment, with average Automotive sales revenue per vehicle delivered of approximately EUR 100,000 for 2021 compared to approximately EUR 93,000 for 2019, a 4% CAGR over the period. In H1 2022, the Group's Automotive sales revenue per vehicle delivered increased to approximately EUR 113,000, driven by improved model mix and pricing opportunities, combined with favorable movements in the Group's key currencies against the Euro. Going forward, the Group believes it can further enhance its Automotive sales revenue and Automotive operating profit through, among others, further average selling price increases in line with its luxury product substance and positioning, additional sales revenue from customization, expansion into higher-margin product segments and leveraging BEV pricing opportunities.

The Group is focused on growing the high-end of its product portfolio. There is significant price differentiation within the Group's product ranges, with the Group differentiating pricing first by model line and then by the range of derivatives it offers within each model line. On average, across its six model lines, there is a premium of over 100% between the price of the entry-level model and the top-end model with price points over EUR 200,000 on selected models. In 2021, only a minority of customers purchased entry-level models without further options and customization. The Group also offers special editions at upmarket price points, demand for which has been increasing in recent years. By way of example, the 911 Sport Classic sold very quickly with 1,250 units sold at a base price of approximately EUR 280,000.

The following table sets out base retail prices from current entry level to top level in Germany for each of the Group's model lines excluding options and customization.

	Entry Model	Top Model
	(EUR thousands)[1] *(unaudited)*	
911	113.5	281.8
Panamera[2]	98.0	211.9
Taycan[2]	88.4	190.6
Cayenne[2]	82.9	205.0
Macan	65.8	91.5
718 (Boxster and Cayman) Series[2]	59.2	144.2

Notes:

(1) Base retail price based on manufacturer's suggested retail price ("**MSRP**") excluding options and customization and including VAT as of July of 2022 in Germany.

(2) Based on the Group's analysis of Deliveries in Germany in 2021, customers of entry-level models choose a higher amount of option load than the average amount of option load for the model line. Option load refers to the MSRP of the options compared to the base price of the car.

Between 2019 and 2021, the Group demonstrated strong growth in the high-end price points of the luxury automotive segment. For example, in the United States, Deliveries of vehicles with a selling price, including options, of over USD 200,000 increased to approximately 3,600 vehicles in 2021 compared to approximately 2,600 vehicles in 2019, a CAGR of 18% over the period. In Germany, Deliveries of vehicles with a selling price, including options, of over EUR 200,000 increased to approximately 900 vehicles in 2021 compared to approximately 500 vehicles in 2019, a CAGR of 33% over the period. The share of vehicles with a selling price of over EUR 200,000 increased significantly between 2019 and 2021 in part due to increasing Deliveries of GT and Special Edition models and increasing penetration of Porsche Exclusive Manufaktur. In the future, the Group expects to continue to focus on the top-end of its product portfolio.

The Group is increasing its focus on personalization to enable its customers to fulfill their individual requests and to target a higher-margin business. The Group strives to produce the most personalized vehicles for its customers. Customizations range from standard options to iconic customizations from red seatbelts up to fully customized unique cars from Porsche Exclusive Manufaktur. These customizations can considerably increase the sales price of a vehicle above its list price and thereby contribute significantly to the sales revenue and profit the Group can earn on customized vehicles, with the level of such client customizations varying by region and car model. For example, in Germany, approximately 20% of average MSRP on top of base retail prices was attributable to options and customization (including Porsche Exclusive Manufaktur) in 2021. Sales revenue from Porsche Exclusive Manufaktur was EUR 750 million for 2021, which comprised 2% of Automotive sales revenue, an increase compared to prior years. A positive product mix usually consists of newer or more expensive models or vehicles with higher specifications and/or options. In a product mix that includes more expensive models, both sales revenue and cost of sales tend to increase and thus the Group's margin depends, in part, on the combined effect of these increases.

The following table sets out a breakdown of the Group's Automotive sales (including new and used vehicles) by model for the reporting periods indicated.

	Six Months Ended June 30,		Year Ended December 31,		
	2022	2021	2021	2020	2019
			(unaudited)		
Macan	39,386	41,788	86,529	77,575	96,764
Cayenne	44,600	42,919	81,541	88,261	94,064
Taycan	17,474	20,698	39,222	22,221	138
911	21,489	20,922	39,068	30,951	36,123
Panamera	15,528	14,405	31,679	23,446	30,895
718 (Boxster and Cayman) Series	10,091	10,968	19,250	22,535	18,904
Total	148,568	151,700	297,289	264,989	276,888

Between 2019 and H1 2022, the Group's SUVs were the models in highest demand, with the Cayenne being the Group's bestselling vehicle in H1 2022, H1 2021 and 2020 after the Macan was the Group's bestselling series in 2021 and 2019. In 2021, the all-electric Taycan recorded the third highest Automotive sales. Increased Automotive sales of GT and Special Edition models and increasing customization have supported higher sales revenue in recent reporting periods. The Group continues to leverage the power of its exclusive brand to assert premium prices in the luxury segment. Combined with cost discipline, this has contributed to the Group increasing its operating profit by 25%, to EUR 3,480 million in H1 2022 from EUR 2,792 million in H1 2021 and by 27% to EUR 5,314 million in 2021 from EUR 4,177 million in 2020 and EUR 3,862 million (including the EUR 535 million penalty notice issued by the public prosecutor's office in Stuttgart) in 2019.

Going forward, the Group plans to continue its controlled growth, improving product and price mix, transitioning to BEVs and launching a new model line that contributes to growth in Deliveries, while maintaining the exclusivity of its luxury sports vehicles. The Group intends to continue to target higher margin segments, leveraging platform synergies using the scale afforded by its industrial cooperation with the Volkswagen Group. The Group is pursuing a two-platform strategy with SSP Sport for sports limousines and SUVs, and a bespoke architecture for two-door sports cars. In the future, the Group intends to leverage SSP Sport for its high-performance BEV sports limousines and SUVs based on the Volkswagen Group's SSP backbone. The Group expects SSP Sport to benefit from scale effects with the Volkswagen Group. The Group also believes that there is the potential to review and grow prices as part of its transition to BEVs, including by steering its BEV product mix towards greater customization and premium packages starting with the Taycan. Additionally, the Group believes that using AI-based recommendations on additional options has the potential to increase sales revenue even further.

10.6.7 Vehicle Launches and Upgrades

The launch of new models or the redesign of existing models drives the Group's sales revenue because of increases in Automotive sales in the years immediately following the launch or redesign and because the introduction of a new product allows the Group to adjust product prices to reflect costs or to factor in pricing premiums for new technologies. Between design cycles, the Group typically makes adjustments to the pricing of its vehicles to provide for inflation, cost increases or exchange rate fluctuations. The launch of new models also typically increases the Group's costs (including capital expenditure) and can affect profitability where the profit contribution from a new model differs significantly from existing models.

The Group's approach to product life cycle management is to have its models in the market for long periods. During this time, the Group introduces new derivatives and special editions, some of which are directed at the top end of the price range. The Group believes this strategy differentiates it and supports its performance.

The typical life cycle of a particular model of Porsche is approximately seven years, with a substantial mid-cycle redesign approximately four years following the series' debut. In general, sales of new or upgraded models increase substantially in the years immediately following such an introduction or upgrade, driving revenue growth. For example, following the launch of the Group's first fully electric car, the Taycan (which launched in September 2019), the Group recorded increased Automotive sales volumes in 2020 in markets in which the Taycan was introduced. Sales of the Taycan grew rapidly, with Deliveries more than doubling to 41,296 units in 2021 from 20,015 units in 2020, despite production shutdowns in both years.

In order to meet the expectations of its target customers, the Group invests heavily in car design, engineering and manufacturing. Future model launches require substantial capital expenditures, such as research and development spending, which result in high costs as amortization and depreciation increase. See "*10.6.9 Research and Development Costs*" below. The Group's ability to realize returns on these investments depends on customer acceptance of new and upgraded models as well as the timing of the Group's vehicle launches.

As part of mid-cycle redesigns, the Group aims to increase the selling price or Automotive sales volumes of the redesigned model taking into account premium features and other upgrades. Depending on the extent and customer acceptance of the mid-cycle redesign, the Group may realize higher sales revenue per vehicle sold and may achieve a higher segment share in terms of Automotive sales than prior to the redesign. At the end of the life cycle of a generation, the Group either introduces a new generation or phases out the series and replaces it with a new series. The Group is approaching the start of a new product cycle, with multiple product launches planned for 2023 and 2024, including the all-electric Macan, which the Group plans to begin delivering in 2024. In the medium term, the Group is also aiming to launch a new, fully electric, luxury SUV model.

10.6.8 Cost of Production Materials

The Group's ability to manage the pricing of raw materials, parts and components (*e.g.*, production materials) has a significant effect on the Group's results of operations and profitability. The prices of raw materials are less stable than those of parts and components. Raw material prices also impact the price of parts and components because raw materials are used in the production of parts and components.

The principal raw materials that the Group uses in its manufacturing operations or that are contained in sourced vehicle parts include aluminum, steel, palladium, rhodium, nickel, copper, lithium, cobalt, magnesium, rare earth metals and noble gases (particularly neon). As the Group expands its BEV production, its exposure to the availability and prices of nickel, lithium and cobalt (each of particular importance for Electrified Vehicles battery production, which the Group currently outsources) will increase significantly. The Group also sources process materials such as natural gas and oil for various applications, including the first-fill fuels, which help to protect engine components between manufacture and delivery to customers.

The Group manages its raw material costs as part of its lean cost structure. The Group, through the Volkswagen Group, hedges a portion of its exposure to fluctuations in the prices of rhodium and palladium and is in the process of developing an expanded hedging strategy for certain other key materials. Therefore, almost any increase in input prices of raw materials, parts and components would increase the Group's costs and could impact its profitability to the extent that such increases may not be hedged or passed on to customers. With respect to raw materials, in most cases, the Group does not act as a direct purchaser but rather relies on its suppliers to source raw materials. Costs of production materials purchased from suppliers often contain price adjustments for the portion of raw materials included. Furthermore, increases in fuel prices or electricity used in manufacturing the Group's products may negatively affect its production costs.

The prices of raw materials are susceptible to significant and at times sharp fluctuations, including as a result of global or regional supply/demand dynamics in the commodities markets and end markets, production capacity and constraints on the part of suppliers, suppliers becoming insolvent, transportation costs and issues, energy prices and energy rationing, infrastructure failures, government regulations and tariffs, geopolitical events, including military conflicts, changes in currency exchange rates, price controls, the economic climate including inflationary pressure, man-made and natural disasters and other unforeseen circumstances. Market prices for certain key raw materials sourced by the Group and its suppliers of parts and components, such as steel, aluminum, natural rubber and rare earth elements (*e.g.*, platin, rhodium and palladium) as well as battery metals (*e.g.*, lithium/lithium carbonate, cobalt and nickel), which will become more significant as the proportion of the Group's models that are Electrified Vehicles increases, have been volatile in recent years, with many reaching historic levels.

For example, following steady declines in aluminum prices from 2018 through to 2020, prices sharply declined during the early phases of the Covid-19 pandemic in 2020 before increasing significantly until the later stages of 2021. Following another decline at the end of 2021, aluminum prices rose once again in the first quarter of 2022, reaching price levels not seen in decades, as a result of, among other factors, increased global demand as economies began to rebound from the Covid-19 pandemic coupled with decreased supply from major producers such as Russia as a result of the Russia-Ukraine Conflict. However, this price surge in the first quarter of 2022 was followed by a price decline of a similar degree in the second quarter of 2022. Similarly, lithium prices have significantly increased since the beginning of 2021, peaking in the first quarter of 2022 at levels not seen in more than five years, as a result of, among other factors, rapidly increasing demand for use in Electrified Vehicle batteries and increased costs associated with extraction. Cobalt, nickel and steel prices have similarly seen significant price volatility, with the price of each raw material spiking dramatically following declines during the early stages of the Covid-19 pandemic in 2020, with steel prices in 2022 particularly being affected by high demand, energy price increases resulting from the Russia-Ukraine Conflict and speculative market movements. While the Group has some ability to allocate the risk of higher costs of commodities and other materials and inputs between itself and its suppliers, for instance through escalation clauses that have retroactive effect as opposed to spot pricing, or to pass on higher costs to consumers in the form of higher prices for manufactured vehicles, the extent of this is limited because of the Group's limited influence on certain key suppliers (who may serve a range of customers beyond automotive OEMs such as the Group), the potential for certain suppliers to demand financial support from the Group or become insolvent due to economic pressure, as well as the strong competitive pressure in the vehicle segments in which the Group is active.

Market prices for key parts and components that the Group sources and fuel prices have also been volatile in recent years. In general, the global supply chain is currently under stress as a result of capacity reductions implemented during the economic downturn triggered by the Covid-19 pandemic, the strong recovery of many large economies in 2021 and the subsequent adverse impact of the Russia-Ukraine Conflict and related economic and trade sanctions and counter-sanctions between Western nations and their allies and Russia and Belarus. The Russia-Ukraine Conflict has also increased bottlenecks in global supply chains and shortages of raw materials, parts and components which are sourced from Ukraine (such as wire harnesses and steel products) and Russia (such as aluminum, copper and steel products), or which are typically transported through these locations, as well as price volatility for raw materials more generally. Steel prices have been volatile in 2022, with surges which could impact the supply and cost of a wide range of items reliant on steel.

Significant supplier delays and/or shortages in the delivery of semiconductors have also impacted the Group's ability to keep up with market demand for its products, resulting in a material impact on production and Deliveries in 2021. Semiconductors are of vital importance for the completion of the Group's vehicles, in particular for the increasingly prevalent digital connectivity, safe driving and intelligent or automated features included in them, as well as for the production of the Group's Electrified Vehicles, which require more semiconductors on average than traditional ICEs due to their charging and other electrical systems. While the Group's total vehicle production increased significantly from 2020 to 2021 despite the shortage, semiconductor supply bottlenecks led the Group to remove certain features which rely more heavily on semiconductors in the configuration of its vehicles and have caused delays in 2022, thereby continuing to be a driver of elevated order backlog. The semiconductor situation impacts the Group both in terms of the availability and pricing of parts and components which come pre-assembled with semiconductors and which the Group purchases from third-party suppliers, as well as semiconductors the Group sources in certain cases directly on behalf of its suppliers. Although the Group has in the past benefitted from preferential semiconductor allocation from the Volkswagen Group, which has reduced the severity of the impact of the global semiconductor shortage on the Group, such preferential allocation may not continue in the future. There is also no assurance that the Volkswagen Group itself will have sufficient semiconductor supplies to allocate to the Group in the future, even if it continued its preferential allocation policies. In addition, the supply of semiconductors could be impacted by geopolitical events, especially tensions in eastern Asia, as a result of many semiconductor suppliers being located in this region. Furthermore, the Russia-Ukraine Conflict and related sanctions have caused significant increases in global and European energy prices. During H1 2022, the Group's energy costs increased compared to its energy costs in H1 2021. Going forward, the Group expects energy costs to increase further.

In addition, the electrification of the Group's product portfolio is dependent on supplies of lithium-ion batteries, cobalt and various other components. The Group plans to source batteries from three sources: the Volkswagen Group, Cellforce and other suppliers. Electrified Vehicles also rely more heavily on certain raw materials such as cobalt, lithium, nickel and graphite (to produce Electrified Vehicle battery cells), as well as semiconductors (for microchips) and other materials which are, and may continue to be, subject to supply shortages and price fluctuations. Further, the Group is working towards a net carbon neutral value chain in 2030 and this, together with external regulatory requirements, is expected to require the Group and its suppliers of parts and components to procure CO_2-optimized (*i.e.*, with the lowest carbon footprint possible) raw materials (such as CO_2-optimized aluminum and steel) as, for example, the Group is in the process of setting specifications for its suppliers with respect to the amount of CO_2 which can be attributed to a specific raw material. Prices for CO_2-optimized raw materials have increased in recent years and both increasing demand and increasingly stringent regulatory requirements may cause further price rises and/or supply shortages. Further increases in the cost of CO_2-optimized raw materials and renewable electricity could significantly increase the Group's cost of sales, which the Group may not be able to pass on to consumers in the form of higher vehicle prices. Furthermore, if the Group, directly or through its suppliers of parts and components, is unable to source the requisite amounts of CO_2-optimized raw materials and renewable electricity, it may be required to offset the sourcing of less optimized raw materials and renewable electricity by purchasing carbon emissions credits or investing in other projects for reducing carbon emissions, which could result in increased costs.

Going forward, the Group expects an increasing share of its cost of sales to be attributable to electric technologies. The shift to these technologies may also have a significant impact on the cost of the Group's production materials as a proportion of the Group's cost of sales over the medium- to long-term.

The Group coordinates its purchasing and procurement partly with the Volkswagen Group as part of the industrial cooperation between the groups, enabling it to minimize the risk of dependencies and obtain favorable cost terms through volume purchasing. See "*12.8 Procurement*". The Group generally manages procurement costs through competitive tenders, continuous optimization of its supplier portfolio, proactive inventory management and long-term supply contracts. Because the Group, through the Volkswagen Group, hedges a relatively small amount of its exposure to raw materials costs, it relies primarily on the renegotiation of contracts and cost-savings measures to control costs.

10.6.9 Research and Development Costs

The Group's results of operations are driven to a certain extent by its ability to develop commercially attractive products, services and technologies to further strengthen its competitive position. Accordingly, the Group dedicates substantial resources to research and development. All of the Group's research and development costs are attributable to the Automotive segment and, therefore, the Group research and development costs are the same as the Automotive research and development costs. Research and development costs recognized in the consolidated income statement (including amortization of capitalized development costs) are included in cost of sales. For H1 2022, H1 2021, 2021 and 2019, research and development costs (without amortization) as a percentage of Automotive sales revenue were consistent at 8%, 8%, 8% and 8%, respectively, in each period. In 2020, research and development costs (without amortization) as a percentage of Automotive sales revenue were 9%.

The Group employs more than 6,700 people to drive innovation at its Porsche Research and Development Center in Weissach, developing next-generation technologies, components and future generations of Porsche vehicles. Under its industrial cooperation arrangements with the Volkswagen Group, the Group also cooperates with the Volkswagen Group in research and product development, generating synergies for the Group and providing it with access to important products and services.

The design and development process for a new series of Porsche currently takes approximately four years (approximately 36 to 40 months for mid-cycle upgrades), measured from the beginning of the development project to the start of production. The first stage of the product development phase is the product mission phase, during which the Group outlines the specifications of new models, and begins strategic planning, budgeting and securing the release of funding. The costs that the Group incurs to develop car projects and related components, engines and systems are recognized as an asset if the development costs can be measured reliably and if the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Development costs are recognized for products where expenditures can be allocated and all other recognition criteria of IAS 38 are met. Capitalized development costs include all direct costs and overhead costs directly attributable to the development process incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of production using the straight-line method over the expected useful life of the product, taking any impairments into account. Useful lives mainly range from three to nine years. Research and non-capitalizable development costs are expensed as incurred.

The table below sets out the Group's research and development costs for the reporting periods indicated.

	Six Months Ended June 30,		Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR millions, unless otherwise indicated)				
Research and non-capitalized development costs	319	471	816	1,018	1,220
Amortization of development costs	380	491	968	972	923
Research and development costs recognized in the income statement	699	962	1,784	1,990	2,143
Investment in capitalized development costs	985	784	1,601	1,225	949
Research and development costs (without amortization)	1,304	1,255	2,417	2,243	2,169
Capitalization Ratio (*%*) (*unaudited*)(1)	75.6	62.5	66.2	54.6	43.8

Note:

(1) Capitalization Ratio is defined as Group investment in capitalized development costs divided by Group research and development costs (without amortization).

The majority of the Group's research and development costs (without amortization) since 2019 have been invested in the Group's electrification strategy, with the evolution of the Capitalization Ratio as a result of the Group's development process and upcoming model launch plan. In H1 2022 and 2021, research and development costs were primarily related to new model launches in 2023 and 2024, such as the Macan BEV, the Taycan, including the Taycan Cross Turismo, the new model Panamera and the Cayenne facelift, as well as ongoing investments in battery and other technologies associated with the global electric vehicle transition. In 2019, the highest share of research and development costs was attributable to the development of the Taycan, the first fully electrified Porsche. The Group's higher Capitalization Ratio over the last three years is the result of upcoming model launches because the Capitalization Ratio is highly dependent on the Group's model launch cycle. Between 2019 to 2021, the Group increased BEV-related investments as a proportion of total Automotive Investments, to approximately 55% in 2021 from approximately 45% in 2019, as the Group invested in preparation for its BEV transition and made most of its significant BEV-related investments. The Group expects that this ratio may increase as it continues to execute its electrification strategy going forward.

The Group has made significant investments in research and development costs in recent financial periods and it expects to benefit from these investments and maintain its position in luxury BEVs going forward. The Group believes that the investments it made in 2019 are foundational to its overall BEV strategy and plans to leverage the knowledge gained through the Taycan for its future BEV-related investments. The Group aims to build on its previous investments through the continued scaling of its BEV platforms. To maintain its long-term competitiveness, the Group intends to grow through focused investments in coming years with electrification at the heart of its strategy. As detailed above, the Group initiated its transformation plan for the electrification of its portfolio years ago and has invested significantly in BEV models and products with a high return on investment to date. Going forward, the Group plans to focus on future-oriented technological innovations and research and development. The Group anticipates that a significant amount of future research and development costs will relate to transitioning from ICE to BEVs. In 2021, approximately 14% of the Group's Deliveries were BEVs. The Group's ambition is for over 50% of new vehicles delivered to be Electrified Vehicles in 2025 and over 80% of new vehicles delivered to be BEVs in 2030. Among other initiatives, existing and future investments are focused on the introduction of additional BEV models or on the transition of the current ICE portfolio, building on the success of the Taycan, the Group's first fully electrified Porsche, current research and development activities are focusing on the technological enhancement of the Taycan mid-cycle upgrade and the second generation. The Group plans to invest in the launch of the BEV version of the 718 model family as the first fully electric two-door sports car and is also investing in the electrification of the remaining model families, including the Macan BEV, which the Group plans to begin delivering in 2024. In the medium term, the Group expects to extend its product portfolio with a new, fully electric, luxury SUV model.

10.6.10 Personnel Expenses

The Group's results of operations are also significantly affected by personnel expenses. Personnel expenses include the costs of wages and salaries, social security contributions and pension and other benefit costs, and are reflected in the Group's cost of sales, distribution expenses, administrative expenses and other operating expenses. In H1 2022, the Group's total personnel expenses increased to EUR 2,329 million from EUR 2,308 million for H1 2021. In 2021, personnel expenses increased to EUR 4,478 million from EUR 4,230 million in 2020 and EUR 4,003 million in 2019. The increases were mainly driven by general increases in wages and salaries as well as the rising average number of employees during each reporting period. The Group's total number of employees has increased marginally to 37,655 as of June 30, 2022 from 35,429 as of December 31, 2019. In 2022, the Group expects personnel expenses for the Automotive segment to increase either moderately if certain conditions are met and the maximum amount of the Employee IPO Bonus is paid, or slightly if such conditions are not met and a minimum Employee IPO Bonus is paid. See "*12.11.4 Employee IPO Bonus*". The Group also expects an increase in personnel expenses for the Financial Services segment due to an increase in its workforce to manage digitalization and market development initiatives.

10.6.11 Net SG&A Expenses and Net SG&A Ratio

The Group's results of operations and profitability are affected by changes in its Net SG&A Expenses, which comprise the sum of Group distribution expenses, administrative expenses and other operating expenses, net of other operating income, as well as its Net SG&A Ratio, which is the ratio of Net SG&A Expenses to Group sales revenue. Net SG&A Expenses and Net SG&A Ratio are APMs and should not be considered as alternatives to the equivalent IFRS financial measures. See "*2.9 Non IFRS Financial Measures* (*Alternative Performance Measures*)" for more detail on Net SG&A Expenses and the Net SG&A Ratio.

The following table sets out the Group's Net SG&A Expenses and Net SG&A Ratio for the reporting periods indicated.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)		*(audited, unless otherwise indicated)*		
	(EUR million, unless otherwise indicated)				
Distribution expenses	956	957	2,111	1,881	2,044
Administrative expenses[1]	766	722	1,426	1,255	1,029
Other operating expenses[1]	841	459	1,085	1,180	1,173
Other operating income	(990)	(441)	(1,079)	(953)	(846)
Net SG&A Expenses *(unaudited)*[1]	**1,573**	**1,697**	**3,543**	**3,363**	**3,400**
/Sales revenue	17,922	16,525	33,138	28,695	28,518
Net SG&A Ratio *(unaudited)*[1]	**8.8%**	**10.3%**	**10.7%**	**11.7%**	**11.9%**

Note:

(1) For the purposes of the Audited 2021 Consolidated Financial Statements, the Company reclassified certain expenses within cost of sales, administrative expenses and other operating expenses. In order to present the prior-year 2020 financial information within the Audited 2021 Consolidated Financial Statements on a comparable basis, the Company adjusted cost of sales, administrative expenses and other operating expenses for the prior-year 2020. The financial information for 2020 has been taken from the adjusted prior-year figures in the Audited 2021 Consolidated Financial Statements. As a result, cost of sales, administrative expenses and other operating expenses within the financial information for 2021 and 2020 are not directly comparable to the equivalent line items for 2019 presented in this Prospectus. As a result, Net SG&A Expenses and Net SG&A Ratio for 2021 and 2020 are not directly comparable to the equivalent financial measures for 2019 presented in this Prospectus. For information on the adjustments, see "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*".

The Group maintains a lean cost structure through its ongoing focus on cost optimization. The Group's Net SG&A Expenses largely relate to the Automotive segment, with Financial Services comprising a minor share. In H1 2022, the Group had Net SG&A Expenses of EUR 1,573 million, compared to EUR 1,697 million for H1 2021. This decrease was primarily due to an increase in other operating income, resulting from higher residual values of used cars in the Financial Service segment and other income from a claim against insurance. The Net SG&A Ratio decreased in H1 2022 to 8.8% from 10.3% in H1 2021, reflecting higher sales revenue and an increase in other operating income. The Group's Net SG&A Expenses increased to EUR 3,543 million in 2021 from EUR 3,400 million in 2019. This increase was primarily attributable to the cost of IT and digitalization projects as well as increased marketing and legal expenses, in both cases resulting from increased sales. In 2019, Net SG&A Expenses included the EUR 535 million diesel issue penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue recorded in other operating expenses. The increase between 2019 and 2021 was partially offset by gains from foreign currency fluctuations reflected in other operating income. Furthermore, Net SG&A Expenses were impacted by a reclassification in the Audited 2021 Consolidated Financial Statements which impacts the comparability of Net SG&A Expenses in 2021 and 2020 with Net SG&A Expenses in 2019 as described in "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*". The Net SG&A Ratio decreased to 10.7% in 2021 from 11.9% in 2019, which was due to increases in sales revenue and restrictive management of personnel and overhead costs as part of the Group's ongoing focus on cost optimization. Going forward, the Group believes that absolute distribution, administrative and other operating expenses will increase over time driven by inflation, among other factors. However, the Group aims to mitigate the expected increase through its continued cost optimization. The Group believes that this cost discipline combined with sales revenue growth will drive its operating leverage going forward.

10.6.12 Depreciation, Amortization and Impairment Losses

The Group's results of operations are also impacted by the depreciation, amortization and impairment of intangible assets, property, plant and equipment and leased assets. Depreciation, amortization and impairment impact the Group's results of operations to a greater or lesser degree depending on the size of the investment and the lifecycle of the asset. Between 2019 and 2021, the Group made significant investments in BEVs and PHEVs in order to prepare its portfolio as part of its electrification strategy. This resulted in relatively high levels of depreciation, amortization and impairment losses, net of gains from reversals of impairment losses. The Group incurred depreciation, amortization and impairment losses of EUR 1,467 million, EUR 1,619 million, EUR 3,256 million, EUR 3,234 million and EUR 2,957 million during H1 2022, H1 2021 and 2021, 2020 and 2019, respectively. Depreciation, amortization and impairment losses decreased by EUR 152 million, or 9%, to EUR 1,467 million in H1 2022 compared to EUR 1,619 million in H1 2021, primarily due to lower amortization of capitalized development costs. Depreciation, amortization and impairment losses increased by EUR 22 million to EUR 3,256 million in 2021 compared to EUR 3,234 million in 2020, primarily as a result of the depreciation of right-of-use assets, amortization of capitalized development costs and depreciation of property, plant and equipment. In 2020, depreciation, amortization and impairment losses increased by EUR 277 million, or 9%, to EUR 3,234 million from EUR 2,957 million in 2019 primarily as a result of the depreciation of right-of-use assets, amortization of capitalized development costs and depreciation of property, plant and equipment. Automotive depreciation, amortization and impairment losses represent the majority of Group depreciation, amortization and impairment losses due to the fact, that the majority of property, plant and equipment, right-of-use assets as well as intangible assets including capitalized development costs are recognised within the Automotive segment. Notwithstanding the movements in Group depreciation, amortization and impairment losses described above, Automotive depreciation, amortization and impairment losses decreased as a percentage of Automotive sales revenue, to 8% in 2021 compared to 9% in 2020 and 8% in 2019, positively impacting Automotive Return on Sales. In the mid-term, the Group expects depreciation, amortization and impairment losses as a percentage of Automotive sales revenue to stabilize at around 7%. See "*28 Recent Developments and Outlook*".

10.6.13 Additions to provisions for obligations arising from sales

The Group's results of operations are also impacted by provisions that it makes for obligations arising from Automotive sales, primarily related to product warranties as well as for marketing services and bonus payments. The Group recognized additions to non-current and current provisions for obligations arising from sales of EUR 618 million and EUR 548 million for H1 2022 and H1 2021, respectively and EUR 1,144 million, EUR 646 million and EUR 914 million for 2021, 2020 and 2019, respectively.

Warranty obligations mainly arise from product warranties granted for the vehicles that the Group produces. The Group provides customers extensive product warranties relating to the quality and performance of its vehicles. The provisions include both estimated expenses from legal and contractual guarantee claims as well as estimated expenses for constructive warranties. They are recognized by taking into account past or estimated future claims patterns per type of model and construction year with individual technical risks identified being recorded separately. The timing of the utilization of the warranty provisions depends on the occurrence of the guarantee/warranty claim and can extend over the entire legal and constructive warranty period. Provisions for expected repair measures have been recognized for the vehicles affected by the diesel issue, as described in "*12.17.1.1 Proceedings in the United States and Canada*". Estimated expenses for constructive warranties have been considered for further customer and dealer measures relating to these vehicles.

The Group generally records warranty provisions in its accounts based on past experience and known claims, but such provisions may not be adequate for any liability ultimately incurred as a result of potential vehicle defects, such as if material product recalls occur with higher frequency or extend to more vehicles than initially expected. In addition, the Group may also be required to extend the warranty originally granted in certain markets for legal reasons, initiate or extend product recalls, or provide services as a courtesy or for reputational reasons where the Group is not legally required to do so, and for which the Group will generally not be able to recover from suppliers or insurance. If product failure rates, or the cost of vehicle repairs or recalls differ significantly from those assumed in management's estimations, revisions to the estimated warranty liability may be required, which could impact the Group's financial results and condition.

Other provisions for obligations arising from sales include provisions for bonus payments and marketing services. Provisions for bonus payments comprise future payments to dealerships related to performance bonuses for fulfilling certain criteria related to retail sales. Provisions for marketing services include accrued marketing expenses as well as subsidies paid to financial services companies or third-party banks that provide financing to customers purchasing Porsche vehicles from dealerships.

10.6.14 Costs for Exceeding Fleet Emission Limits

The Group's results of operations are impacted by vehicle emissions and fuel efficiency regulations which impose costs on the Group for exceeding fleet emission limits and may, in the future, award emissions credits to the Group if the Group becomes net positive with respect to fleet emissions.

The Group's vehicles are subject to an increasingly broad range of strict and at times conflicting environmental laws and regulations around the world (*e.g.*, regulations addressing vehicle exhaust emissions and climate change). For detailed information regarding these laws and regulations, see "*1.3.1 New, existing or changes to existing vehicle emissions and climate change related laws and regulations could result in substantial costs for the Group and have a significant effect on how the Group operates its business, and the Group may not be able to develop commercially viable vehicles that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products*".

For example, European emissions regulations include the Europe Regulation (EU) No 2019/631 on CO_2 performance standards, which has been in force since 2019. The Europe Regulation (EU) No 2019/631 superseded prior obligations and imposed a new requirement that, from 2020, the average emissions of European passenger car fleets must be no higher than 95g of CO_2/km, among other things. A further 15% reduction in CO_2 emissions will be required in 2025, followed by a reduction of 37.5% by 2030 (as compared to 2021 levels). Penalties for non-compliance can be significant, and include the imposition of an excess emissions premium of EUR 95 per excess gram of CO_2 per newly registered vehicle. For EU CO_2 fleet emissions targets, the Group chooses to participate in CO_2 emission pools, rather than being assessed on an individual basis. As a member of a CO_2 emission pool, the Group (as well as each other member of the pool) is deemed to have met its CO_2 emissions targets if the average emissions of the pool as a whole do not exceed the specific relevant emissions target applicable to the pool. For example, the Group participates in a CO_2 emission pool with other members of the Volkswagen Group as well as other third-party manufacturers.

Similarly, the U.S. EPA and the U.S. Department of Transportation have introduced standards for fuel economy and GHG emission levels for both engines and vehicles starting with model year 2014. For criteria pollutants and CO_2 fleet emissions targets in the United States, the Group participates in an emission pool with other members of the Volkswagen Group. In December of 2021, the EPA finalized revised GHG emissions regulations for model years 2023 to 2026. In addition to regulations promulgated at the federal level, the Group's vehicles are subject to regulations imposed by individual U.S. states. The CARB, for example, has imposed emissions requirements which are often stricter than those imposed by the EPA. Concerning pollutants, CARB's existing LEV III regulation sets tailpipe and evaporative emission standards until model year 2025, with LEV-IV regulations coming into force for model year 2026. This includes the "PZEVs Anti-Backsliding Requirement" on manufacturers, which requires them to sell and deliver a minimum percentage of vehicles conforming to super ultra-low emission vehicle standards, for which the Group has paid internal compensation to the emission pool within the Volkswagen Group.

In China, the Group's single largest market, fuel efficiency regulations are similarly strict and becoming more so, a NEV vehicle quota has been put into effect and the current so-called China 6 emissions regulations are among the strictest in the world, with stricter regulations expected to come into force on July 1, 2023. Furthermore, Chinese regulators plan to revise certain regulations containing the specifications for the single vehicle electrical consumption limit of BEVs. This regulation could be mandatory in 2025. Failure to meet any of these standards can result in penalties.

The Group incurs costs for exceeding fleet emissions limitations. These costs take the form of excess premium or external credit costs or internal compensation, in each case within the Volkswagen Group (due to the Group's participation in emission pools with the Volkswagen Group), as well as external credit purchases. The Group incurs excess premium or external credit costs when the Volkswagen Group emission pools purchase credits externally or pay penalties or fines and the cost is shared among the members of the respective pool. Contrastingly, the Group incurs costs for internal compensation within the Volkswagen Group when it pays compensation to an emission pool as part of the Group's own excess emissions usage. In markets where participants are allowed to trade credits, like Canada and China, the Group also incurs costs for external credit purchases, which could include fines and/or penalties paid externally; however, the Group had not been subject to any such fines or penalties as of June 30, 2022. In H1 2022, H1 2021, 2021, 2020 and 2019, the Group's operating profit was affected by non-compliance with CO_2 and other emissions requirements in the amounts of EUR 62 million, EUR 67 million, EUR 164 million, EUR 95 million and EUR 43 million, respectively. The following table sets forth a breakdown of the Group's costs for exceeding fleet emission limits for the reporting periods indicated.

	Six Months Ended June 30,		Year Ended December 31,		
	2022	2021	2021	2020	2019
			(unaudited) (EUR millions)		
Expenses for excess premium or external credit costs with relation to the Volkswagen Group	21	17	58	76	37
Expenses for internal compensation with relation to the Volkswagen Group	41	50	100	4	6
Cost of external credit purchases	—	—	6	15	—
Costs for exceeding fleet emission limits	**62**	**67**	**164**	**95**	**43**

See also "*1.3.1 New, existing or changes to existing vehicle emissions and climate change related laws and regulations could result in substantial costs for the Group and have a significant effect on how the Group operates its business, and the Group may not be able to develop commercially viable vehicles that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products*".

While the Group has in the past and may in the future be subject to fines for exceeding permissible emissions thresholds, it is aiming to achieve ambitious portfolio electrification targets, with targeted production of over 50% of new vehicles delivered being Electrified Vehicles in 2025 and over 80% of new vehicles delivered being BEVs in 2030. The Group expects its progress against these targets to have an impact on its ability to take advantage of potential revenue opportunities from the sale of emissions credits and on its continued exposure to costs for exceeding fleet emission limits.

10.6.15 Demand for Financial Services

The Group's results of operations and profitability are affected by the performance of the Financial Services segment. In H1 2022, H1 2021, 2021, 2020 and 2019, the Financial Services segment generated sales revenue of EUR 1,616 million, EUR 1,543 million, EUR 3,127 million, EUR 2,837 million and EUR 2,688 million, respectively. The Financial Services segment's contribution to the Group's cost of sales is marginally higher than the segment's contribution to sales revenue, meaning that it is slightly dilutive to the Group's gross profit margins. As of June 30, 2022, the equity carrying amount of the segment was EUR 1,964 million.

The Financial Services segment provides integrated financial products to Porsche customers and supports the Group's sales and marketing efforts. The segment offers the Group's customers services such as leasing, financing and the Porsche Drive program. It also offers its services in selected regions to Lamborghini, Bentley and Bugatti customers. The performance of the Financial Services segment is driven by customer demand and sales performance as well as the management of pricing components in the vehicle financing business, particularly, but not exclusively, residual values (where applicable), risk costs and cost of funds.

The Financial Services segment can play an important role in a customer's decision to purchase a Porsche, thereby impacting sales within the Automotive segment, because potential customers are typically focused on total cost of ownership (including financing costs) as well as the ease of purchase at the point of sale. Demand and sales performance developed positively in recent reporting periods. In H1 2022 and H1 2021, the Financial Services segment had a customer penetration rate of 43.2% and 43.2%, respectively, compared to 43.0% in 2021, 42.2% in 2020 and 35.3% in 2019. This led to total leased assets, down payments and receivables of the

Financial Services segment of EUR 9,752 million as of June 30, 2022. The Group aims to apply a prudent, risk-oriented approach when deciding whether to provide or extend financing, or to enter into a lease arrangement, which can lead to lower penetration rates in certain markets.

The Group generates a significant part of its Financial Services segment operating profit from vehicle leasing. At the end of the lease term, depending on market practice and product design, either the vehicle is sold to the dealer or it is sold through the Group's remarketing channel. As a result, the Group may incur losses to the extent that the market value of a returned vehicle is lower than the contracted residual value of the vehicle at the time the contract was originated. A decline in the value of used vehicles can be caused by a broad range of external factors affecting the used vehicle market, including adverse changes in customer confidence and preferences, economic conditions, government policies, exchange rates, marketing programs, price pressure on new vehicles, the actual or perceived safety or reliability of vehicles, the price of raw materials regained from recycling or scrapping, or energy prices. In markets where the Group bears the residual value risk, the Group implements residual value models whereby possible losses are impaired in accordance with IFRS. Where the vehicles are listed as leased assets or lease receivables, regular impairment tests are performed using standard calculation methodologies.

The Group earns a margin on its financing products by subtracting interest expenses, administrative expenses, dealer remuneration and risk provisions from interest income. For leasing products, the margin is calculated by subtracting financing and leasing expenses from the lease installment payment. If refinancing costs rise, for example because of higher interest rates on the capital markets where the Group seeks a portion of funding for its financial service products, the Group's margin may be reduced temporarily in certain cases if the increase cannot be offset in the short term by modifying the interest rate according to the financing agreement with the customer or be passed on to new customers. The Group focuses on maintaining a pricing strategy intended to be adaptable to market conditions and managing margins in order to mitigate the impact of a higher interest rate environment on its performance. Financial Services operating profit was EUR 216 million in H1 2022 compared to EUR 151 million in H1 2021, and EUR 313 million, EUR 191 million and EUR 198 million in 2021, 2020 and 2019, respectively.

As of June 30, 2022, the Financial Services segment's total assets were EUR 11,260 million, an increase of 42% compared to EUR 7,930 million as of December 31, 2019, and its total equity was EUR 1,964 million, an increase of 54% compared to EUR 1,277 million as of December 31, 2019. Over the last three years, both Financial Services Return on Assets and Financial Services Return on Equity before Tax increased. Financial Services Return on Assets increased to 3.3% in 2021 compared to 2.3% in 2020 and 2.6% in 2019. Financial Services Return on Equity before Tax increased to 21.2% in 2021 compared to 14.7% in 2020 and 16.7% in 2019. The increases in both ratios were primarily driven by increased income attributable to portfolio growth, the reversal of certain risk allowances related to non-materialized Covid-19 pandemic risks (in particular, increased residual value) and the revaluation effects of interest hedging instruments. While return ratios in 2021 and 2020 were influenced by the Covid-19 pandemic, the Group believes that 2019 represents a more normalized basis with regard to Financial Services Return on Assets and Financial Services Return on Equity.

10.6.16 Foreign Exchange Rate Fluctuations

Due to the global orientation of the Group's operations, its results of operations are exposed to risks and opportunities related to fluctuations in currency exchange rates. This applies particularly to fluctuations of the Euro against the Chinese Renminbi, the U.S. Dollar and the British Pound. Changes in the exchange rates between these currencies can affect the Group's operations and financial positions as a result of both transactional and translational exchange rate effects.

A substantial portion of the Group's sales revenue is denominated in currencies other than the Euro, the Group's reporting currency, as a result of its operating activities. In the Automotive segment, all liabilities are denominated in Euros. In the Financial Services segment, asset-backed securities and refinancing facilities provide for a maturity and currency congruent financing profile. These facilities are primarily denominated in Euro, U.S. Dollar, Japanese Yen and Canadian dollar ("**CAD**"). Accordingly, the Group is subject to transactional foreign currency risk, which arises when costs are incurred or sales revenue is generated in a currency other than its functional currency.

Given the nature of its business, the Group maintains a conservative but flexible hedging policy to manage its net currency exposure using a broad set of instruments with a focus on the next five years. The Group's largest net currency exposures, defined as sales revenue minus costs in the respective currency (before hedging) as a percentage of Automotive sales revenue, are to the Chinese Renminbi and the U.S. Dollar. The Group utilizes natural hedging, which involves currency exposures of the sourcing of certain raw materials, commodities and parts partially offsetting currency exposures from sales revenue, to a lesser extent. The Group's U.S. Dollar exposure is counterbalanced by procurement volumes denominated in U.S. Dollars, in particular BEV-related commodities and parts. The Group generally relies on financial derivatives to protect itself against the transactional foreign currency exchange rate risks to which it is exposed. Currency risks from future sales revenue denominated in foreign currencies are hedged through the use of exchange rate hedging instruments. The main hedging instruments used are forward exchange transactions and currency options. As of December 31, 2021, the fair value changes to determine hedge ineffectiveness for currency risk were EUR 541 million. The volume of exchange rate hedges is determined on the basis of the planned sales figures in the respective foreign currency, taking into account procurement volumes. In addition, the Group applies currency-matched funding in principle whenever possible in order to denominate external borrowings in the same currencies as the financing needs of the operative units. For 2022, the Group estimates that its net currency exposure is approximately 55%. While the Group believes that it is largely hedged across its key currency exposures for the next three years (with hedge coverage levels decreasing over time), it retains potential positive effects from future currency fluctuations through the partial use of options in its hedge strategy.

The Group is also impacted by foreign currency fluctuations in respect of currency translation for the purposes of preparing its consolidated financial statements. Translational effects of exchange rate fluctuations arise because the income and expenses, assets and liabilities of the Company's subsidiaries are measured in the currency of the primary economic environment in which the relevant subsidiary operates (its functional currency). The results of operations of a number of the Company's global subsidiaries located outside the Eurozone are measured in currencies other than the Euro and are then converted into Euro for presentation in the Group's consolidated financial statements. Consequently, period-to-period changes in the applicable average foreign currency exchange rates or closing rate may impact, among other things, Group sales revenue, segment results and assets, respectively, even if their value has not changed in their local functional currency.

10.6.17 Diesel Issue Penalty Notice in 2019

The Group's results for 2019 were significantly impacted by a EUR 535 million penalty notice issued to the Group by the public prosecutor's office in Stuttgart imposed on the Group in relation to the diesel issue, which increased other operating expenses for 2019. On January 21, 2019, the public prosecutor's office in Stuttgart, Germany, instigated administrative fine proceedings against the Company pursuant to Sections 30 and 130 of the German Act on Breaches of Administrative Regulations (*Ordnungswidrigkeitsgesetz—OWiG*). These proceedings concluded on May 7, 2019, when the public prosecutor's office issued a fine notice imposing a total fine of EUR 535 million, comprising a penalty payment of EUR 4 million and the forfeiture of economic benefits amounting to EUR 531 million. The fine was based on the Company's negligent breach of its supervisory duty in the organizational unit Overall Vehicle Development/Quality—Testing Facility (*Prüffeld Entwicklung Gesamtfahrzeug/Qualität*) or its respective successor organization. After a thorough review, the Company did not appeal the penalty payment and paid the fine in full, thereby ending the administrative offense proceedings against it. For further information regarding the diesel issue, see Note 38 to the Audited 2021 Consolidated Financial Statements.

10.7 Factor Affecting Comparability of the Group's Results

10.7.1 *Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*

For the purposes of the Audited 2021 Consolidated Financial Statements, the Company reclassified certain expenses within cost of sales, administrative expenses and other operating expenses. In order to present the prior-year 2020 financial information within the Audited 2021 Consolidated Financial Statements on a comparable basis, the Company adjusted cost of sales, administrative expenses and other operating expenses for the prior-year 2020. The financial information for 2020 presented in this Prospectus has been taken or derived from the adjusted prior-year figures in the Audited 2021 Consolidated Financial Statements. As a result, cost of sales, administrative expenses and other operating expenses within the financial information for 2021 and 2020 are not directly comparable to the equivalent line items for 2019 presented in this Prospectus.

The adjustments to the 2020 prior-year financial information within the Audited 2021 Consolidated Financial Statements are set out below with all increases and decreases being in relation to the unadjusted figures within the Audited 2020 Consolidated Financial Statements:

- Cost of sales decreased by EUR 443 million as a result of the Company removing (i) EUR 245 million of intercompany eliminations from administrative expenses and adding the eliminations to cost of sales; and

(ii) EUR 198 million of adjustments to the financial share of company pension scheme from cost of sales and adding the adjustments to other operating expenses.

- Administrative expenses increased by EUR 160 million as a result of the Company (i) adding EUR 245 million of intercompany eliminations from administrative expenses to cost of sales; and (ii) removing EUR 85 million of adjustments to the financial share of company pension scheme from administrative expenses and adding them to other operating expenses.
- Other operating expenses increased by EUR 283 million as a result of the Company adding EUR 283 million of adjustments to the financial share of company pension scheme from cost of sales (EUR 198 million) and administrative expenses (EUR 85 million).

As a result of the adjustment to cost of sales set out above, gross profit in 2020 within the Audited 2021 Consolidated Financial Statements increased by EUR 443 million compared to the unadjusted figures within the Audited 2020 Consolidated Financial Statements. There was no impact on operating profit in 2020 within the Audited 2021 Consolidated Financial Statements compared to the unadjusted figures within the Audited 2020 Consolidated Financial Statements.

10.8 Explanation of Income Statement Items

Sales revenue primarily consists of revenue from Automotive sales, including extended warranties and maintenance contracts. Automotive segment sales revenue relates mainly to vehicle sales and sales of genuine parts, used vehicles and third-party products, positive or negative hedges sales revenue and other revenue. Other revenue contains insurance premiums from warranty insurance for used vehicles, income from mobile services, consulting, development services and workshop services. Sales revenue also comprises Financial Services segment sales revenue. Financial Services segment sales revenue includes used vehicles and third-party products, rental and leasing business revenue, interest and similar income from the financial services business and other revenue. Sales revenue is reported net of discounts, customer bonuses and rebates.

Cost of sales mainly comprises production materials, personnel expenses, non-staff overhead costs, comprising other overhead expenses not included in distribution or administrative expenses, and depreciation and amortization. Cost of sales also includes research and development costs (excluding capitalized development costs), interest expenses attributable to the Financial Services segment, which includes refinancing expenses, impairment losses on leased assets and expenses for indemnification payments from warranty insurance for used vehicles.

Distribution expenses include non-staff overhead costs, comprised of services provided by third parties and participations, and IT costs, and personnel expenses, depreciation and amortization charged in the distribution function, as well as shipping, advertising and sales promotion costs incurred.

Administrative expenses mainly consist of non-staff overhead costs, comprising software and hardware costs (including costs related to maintenance and consulting), third-party services, low value and short-term leased assets and other overhead expenses, and personnel expenses as well as depreciation and amortization charged in the administrative function.

Other operating income includes income from reversal of valuation allowances on receivables and other assets, income from reversal of provisions and accruals, income from foreign currency hedging derivatives within hedge accounting, income from other hedges, income from foreign exchange gains, income from cost allocations, gains on asset disposals and the reversal of impairment losses, other rental income, recourse income and miscellaneous other operating income primarily comprising government grants and other recourse income. Income from foreign exchange gains mainly comprises exchange rate gains between the date of origin and the date of payment of foreign exchange receivables and liabilities as well as foreign exchange gains from measurement as of the reporting date. Resulting exchange rate losses are included in other operating expenses. In the Unaudited Condensed Consolidated Interim Financial Statements, other operating income is aggregated with other operating expenses in other operating income/expenses.

Other operating expenses include valuation allowances on trade receivables, valuation allowances on other receivables and other assets, losses from foreign currency hedging derivatives within hedge accounting, expenses from other hedges, foreign exchange losses, losses on disposal of non-current assets, miscellaneous other operating expenses consisting principally of other expenses for litigation costs and legal risks, and the penalty notice prosecution in Stuttgart in 2019. Expenses from foreign exchange gains/losses mainly contain exchange rate losses between the date of origin and the date of payment of foreign exchange receivables and liabilities. Exchange rate gains are included in other operating income. In the Unaudited Condensed

Consolidated Interim Financial Statements, other operating expenses are aggregated with other operating income in other operating income/expenses.

Share of profit or loss of equity-accounted investments includes net profit or loss from associates and joint ventures.

Interest income consists of interest and similar income.

Interest expense includes interest cost included in lease payments, net results on the non-current liabilities, net interest on the net defined benefit liability and other interest and similar expenses.

Other financial result includes income from profit and loss transfer agreements, cost of loss absorption, other income from equity investments, other expenses from equity investments (including impairment losses on at equity accounted investments and other equity investments, net of reversal of impairment losses), income and expenses from securities and loans, gains and losses from remeasurement and impairment of financial instruments and gains and losses from fair value changes of derivatives not included in hedge accounting. In the Unaudited Condensed Consolidated Interim Financial Statements, other financial result is aggregated with interest income and interest expenses in interest result and other financial result.

Income tax income/expense comprises the tax income/expense incurred on account of the consolidated tax group of Porsche GmbH, taxes currently owed by the companies comprising the consolidated tax group and taxes owed by the consolidated subsidiaries, as well as deferred taxes. The Group defines the effective tax rate as income tax income/expense as a percentage of profit before tax.

10.9 Results of Operations

10.9.1 H1 2022 Compared to H1 2021

The table below sets forth the Group's condensed consolidated income statement and the period-on-period percentage of change for H1 2022 and H1 2021.

	Six Months Ended June 30,		
	2022	**2021**	**Change in %**
	(EUR millions)	*(unaudited)*	
Sales revenue	17,922	16,525	8%
Cost of sales	(12,869)	(12,036)	7%
Gross profit	**5,053**	**4,489**	**13%**
Distribution expenses	(956)	(957)	—
Administrative expenses	(766)	(722)	6%
Other operating income/expense(1)	149	(18)	—
Operating profit	**3,480**	**2,792**	**25%**
Share of profit or loss of equity-accounted investments	12	(9)	—
Interest result and other financial result(2)	196	181	8%
Financial result	**208**	**172**	**21%**
Profit before tax	**3,688**	**2,964**	**24%**
Income tax expense(3)	(1,183)	(846)	40%
Profit after tax	**2,505**	**2,118**	**18%**

Notes:

(1) Comprises other operating income and other operating expenses as disclosed in the Audited Consolidated Financial Statements. These line items are condensed for purposes of the Unaudited Condensed Consolidated Interim Financial Statements.

(2) Comprises interest income, interest expenses and other financial result as disclosed in the Audited Consolidated Financial Statements. These line items are condensed for purposes of the Unaudited Condensed Consolidated Interim Financial Statements.

(3) Comprises current tax expense and deferred tax expense as disclosed in the Audited Consolidated Financial Statements. These line items are condensed for purposes of the Unaudited Condensed Consolidated Interim Financial Statements.

10.9.1.1 *Sales Revenue*

The Group's sales revenue increased by EUR 1,397 million, or 8%, to EUR 17,922 million in H1 2022 from EUR 16,525 million in H1 2021. The increase was primarily driven by a EUR 1,318 million increase in Automotive sales revenue as a result of improvements in product mix, price increases and the weakening of the

Euro against the currencies in the Group's main markets, offsetting a decrease in Automotive sales in H1 2022 (148,568 compared to 151,700 in H1 2021).

The table below sets forth the Group's sales revenue by geographic region and the period-on-period percentage of change for H1 2022 and H1 2021.

	Six Months Ended June 30,		
	2022	2021	Change in %
	(unaudited) (EUR millions)		
Germany	2,091	1,874	12%
Europe without Germany	3,401	3,134	9%
North America	4,968	4,280	16%
China	5,640	5,116	10%
Rest of the World	2,361	2,206	7%
Hedges sales revenue	(539)	(85)	—
Sales revenue	**17,922**	**16,525**	**8%**

The Group's sales revenue in Germany increased by EUR 217 million, or 12%, to EUR 2,091 million in H1 2022 from EUR 1,874 million in H1 2021. The increase was primarily driven by price increases, offsetting a 4% decrease in Automotive sales in H1 2022 (12,474 compared to 13,050 in H1 2021).

The Group's sales revenue in Europe without Germany increased by EUR 267 million, or 9%, to EUR 3,401 million in H1 2022 from EUR 3,134 million in H1 2021. The increase was primarily driven by an increase in Automotive sales in H1 2022 (28,943 compared to 28,220 in H1 2021).

The Group's sales revenue in North America increased by EUR 688 million, or 16%, to EUR 4,968 million in H1 2022 from EUR 4,280 million in H1 2021. The increase was primarily driven by improvements in product mix, price increases and the weakening of the Euro against the U.S. Dollar, partially offset by a marginal decrease in Automotive sales in H1 2022 (37,086 compared to 37,274 in H1 2021).

The Group's sales revenue in China increased by EUR 524 million, or 10%, to EUR 5,640 million in H1 2022 from EUR 5,116 million in H1 2021. The increase was primarily driven by improvements in product mix, price increases and the weakening of the Euro against the Chinese Renminbi, partially offset by a decrease in Automotive sales in H1 2022 (46,664 compared to 49,450 in H1 2021).

The Group's sales revenue in Rest of the World increased by EUR 155 million, or 7%, to EUR 2,361 million in H1 2022 from EUR 2,206 million in H1 2021. The increase was primarily driven by improvements in product mix and price increases, partially offset by a marginal decrease in Automotive sales in H1 2022 (23,401 compared to 23,706 in H1 2021).

10.9.1.2 *Sales Revenue by Segment*

The table below sets forth the Group's sales revenue by segment and the period-on-period percentage of change for H1 2022 and H1 2021.

	Six Months Ended June 30,		
	2022	2021	Change in %
	(unaudited) (EUR millions)		
Automotive	16,425	15,107	9%
Financial Services	1,616	1,543	5%
Reconciliation[(1)]	(120)	(125)	(4)%
Sales revenue	**17,922**	**16,525**	**8%**

Note:

(1) Reconciliation refers to consolidation effects from intercompany transactions between the segments.

Automotive sales revenue increased by EUR 1,318 million, or 9%, to EUR 16,425 million in H1 2022 from EUR 15,107 million in H1 2021. The increase was primarily driven by an increase in vehicles sales revenue as a result of improvements in product mix, price increases and the weakening of the Euro against the currencies in the Group's main markets, partially offset by a marginal decrease in Automotive sales in H1 2022 (148,568 compared to 151,700 in H1 2021).

Financial Services sales revenue increased by EUR 73 million, or 5%, to EUR 1,616 million in H1 2022 from EUR 1,543 million in H1 2021. The increase was primarily driven by an increase in the size of its contract portfolio.

10.9.1.3 *Cost of Sales*

The Group's cost of sales increased by EUR 833 million, or 7%, to EUR 12,869 million in H1 2022 from EUR 12,036 million in H1 2021. The increase was primarily driven by increased production material costs due to higher sales revenue. Cost of sales decreased slightly as a percentage of sales revenue to 72% in H1 2022 from 73% in H1 2021 as a result of changes in product and regional mix and lower fixed costs.

10.9.1.4 *Distribution Expenses*

The Group's distribution expenses remained steady, decreasing marginally by EUR 1 million to EUR 956 million in H1 2022 from EUR 957 million in H1 2021.

10.9.1.5 *Administrative Expenses*

The Group's administrative expenses increased by EUR 44 million, or 6%, to EUR 766 million in H1 2022 from EUR 722 million in H1 2021. The increase was primarily driven by an increase in non-staff overhead costs and personnel expenses. Administrative expenses as a percentage of sales revenue remained steady at 4% for H1 2022 and H1 2021.

10.9.1.6 *Other Operating Income/Expense*

The Group's other operating income/expense changed by EUR 167 million to a net other operating income of EUR 149 million in H1 2022 from a net other operating expense of EUR 18 million in H1 2021. The change was primarily driven by high demand for used vehicles resulting in high residual value gains in the Financial Services segment and other operating income from a claim against insurance, which were partly offset by provisions for litigation (excluding other provision for risks from product liability).

10.9.1.7 *Operating Profit*

The Group's operating profit increased by EUR 688 million, or 25%, to EUR 3,480 million in H1 2022 from EUR 2,792 million in H1 2021. The increase was primarily driven by a higher gross profit.

10.9.1.8 *Operating Profit by Segment*

The table below sets forth the Group's operating profit by segment (segment result (operating result)) and the period-on-period percentage of change for H1 2022 and H1 2021.

	Six Months Ended June 30,		
	2022	**2021**	**Change in %**
	(EUR millions)	*(unaudited)*	
Automotive	3,261	2,661	23%
Financial Services	216	151	43%
Reconciliation[1]	3	(20)	—
Operating profit	**3,480**	**2,792**	**25%**

Note:

(1) Reconciliation refers to consolidation effects from intercompany transactions between the segments.

Automotive operating profit increased by EUR 600 million, or 23%, to EUR 3,261 million in H1 2022 from EUR 2,661 million in H1 2021. The increase was primarily driven by an increase from the effects of movements in price, product mix, foreign exchange and lower manufacturing overhead costs as well as positive developments in other operating income, which were partially offset by reduced Automotive sales in H1 2022 (148,568 compared to 151,700 in H1 2021) and higher administrative costs (human resources, finance, procurement, IT).

Financial Services operating profit increased by EUR 65 million, or 43%, to EUR 216 million in H1 2022 from EUR 151 million in H1 2021. The increase was primarily driven by an increase in the size of the contract portfolio, reserve evaluations, mark-to-market valuation gains from derivative financial instruments and swap breakage income.

10.9.1.9 *Share of Profit or Loss of Equity-Accounted Investments*

The Group's share of profit or loss of equity-accounted investments changed by EUR 21 million to a profit of EUR 12 million in H1 2022 from a loss of EUR 9 million in H1 2021. The change was primarily driven by an increase in the investment in, and the accounting under the equity method of, Rimac Group D.O.O. (the "**Rimac Group**") and IONITY, which resulted in an income effect.

10.9.1.10 *Interest Result and Other Financial Result*

The Group's interest result and other financial result increased by EUR 15 million, or 8%, to EUR 196 million in H1 2022 from EUR 181 million in H1 2021. The increase was primarily driven by an increase in interest income from financial assets and provisions, which were partially offset by an impairment loss in the amount of EUR 37 million on the investment in Bertrandt AG ("**Bertrandt**"), in which the Group held a 28.97% stake as of June 30, 2022.

10.9.1.11 *Financial Result*

For the reasons stated above, the Group's financial result increased by EUR 36 million, or 21%, to EUR 208 million in H1 2022 from EUR 172 million in H1 2021.

10.9.1.12 *Income Tax Expense*

The Group's income tax expense increased by EUR 337 million, or 40%, to EUR 1,183 million in H1 2022 from EUR 846 million in H1 2021. The increase was primarily driven by the increase in taxable profit in H1 2022. The Group's effective tax rate for H1 2022 also increased to 32.0% from 28.5% in H1 2021.

10.9.1.13 *Profit after Tax*

For the reasons stated above, the Group's profit after tax increased by EUR 387 million, or 18%, to EUR 2,505 million in H1 2022 from EUR 2,118 million in H1 2021.

10.9.1.14 *Return on Sales*

Set forth below is the Group's Return on Sales for H1 2022 and H1 2021. Return on Sales is an APM and should not be considered as an alternative to the financial results or other indicators of the Group's performance based on IFRS financial measures. See "*2.9 Non IFRS Financial Measures* (*Alternative Performance Measures*)" for more detail on Return on Sales and other APMs.

The Group's Return on Sales increased to 19.4% in H1 2022 from 16.9% in H1 2021. The increase was primarily driven by a higher operating profit due to a higher gross profit.

10.9.2 2021 Compared to 2020

The table below sets forth the Group's consolidated income statement and the period-on-period percentage of change for 2021 and 2020.

	Year Ended December 31,		
	2021	**2020**	**Change in %**
	(audited) *(EUR millions)*		*(unaudited)*
Sales revenue	**33,138**	**28,695**	**15%**
Cost of sales[(1)]	(24,281)	(21,155)	15%
Gross profit[(1)]	**8,857**	**7,540**	**17%**
Distribution expenses	(2,111)	(1,881)	12%
Administrative expenses[(1)]	(1,426)	(1,255)	14%
Other operating income	1,079	953	13%
Other operating expenses[(1)]	(1,085)	(1,180)	(8)%
Operating profit	**5,314**	**4,177**	**27%**

	Year Ended December 31,		
	2021	2020	Change in %
	(audited) *(EUR millions)*		*(unaudited)*
Share of profit or loss of equity-accounted investments	(22)	(10)	—
Interest income	421	406	4%
Interest expenses	(113)	(129)	(12)%
Other financial result	129	(47)	—
Financial result	**415**	**220**	**89%**
Profit before tax	**5,729**	**4,397**	**30%**
Income tax expense	(1,691)	(1,231)	37%
Current	(1,528)	(998)	53%
Deferred	(163)	(233)	(30)%
Profit after tax	**4,038**	**3,166**	**28%**

Note:

(1) The financial information for 2020 has been taken from the adjusted prior-year figures in the Audited 2021 Consolidated Financial Statements. For more information, see "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*".

10.9.2.1 *Sales Revenue*

The Group's sales revenue increased by EUR 4,443 million, or 15%, to EUR 33,138 million in 2021 from EUR 28,695 million in 2020. The increase was primarily driven by a EUR 4,203 million increase in Automotive sales revenue. This increase in sales revenue was attributable in part to an improved market environment, supported by a 17,001 unit, or 77%, increase in sales of the Group's all-electric vehicle series, Taycan, as well as double-digit growth in sales in North America and Europe, which grew at 17% and 12%, respectively. The table below sets forth the Group's sales revenue by geographic region and the period-on-period percentage of change for 2021 and 2020.

	For the Year Ended December 31,		
	2021	2020	Change in %
	(unaudited) *(EUR millions)*		
Germany	4,034	3,721	8%
Europe without Germany	6,701	5,734	17%
North America	8,673	7,644	13%
China	10,333	8,673	19%
Rest of the World	3,697	3,208	15%
Hedges sales revenue	(300)	(285)	5%
Sales revenue	**33,138**	**28,695**	**15%**

The Group's sales revenue in Germany increased by EUR 313 million, or 8%, to EUR 4,034 million in 2021 from EUR 3,721 million in 2020. The increase was primarily driven by an increase in Automotive sales in 2021 (26,788 in 2021 compared to 23,321 in 2020).

The Group's sales revenue in Europe without Germany increased by EUR 967 million, or 17%, to EUR 6,701 million in 2021 from EUR 5,734 million in 2020. The increase was primarily driven by a 11% increase in Automotive sales in 2021 (61,288 in 2021 compared to 55,085 in 2020) and improvements in product mix as the Group's PHEV portfolio expanded.

The Group's sales revenue in North America increased by EUR 1,029 million, or 13%, to EUR 8,673 million in 2021 from EUR 7,644 million in 2020. The increase was primarily driven by a 17% increase in Automotive sales in 2021 (74,431 in 2021 compared to 63,828 in 2020) attributable in part to increased sales of the Taycan.

The Group's sales revenue in China increased by EUR 1,660 million, or 19%, to EUR 10,333 million in 2021 from EUR 8,673 million in 2020. The increase was primarily driven by an 8% increase in Automotive sales in 2021 (94,826 in 2021 compared to 87,730 in 2020) largely attributable to strong regional demand for the Panamera.

The Group's sales revenue in Rest of the World increased by EUR 489 million, or 15%, to EUR 3,697 million in 2021 from EUR 3,208 million in 2020. The increase was primarily driven by a 14% increase in Automotive sales in 2021 (39,956 in 2021 compared to 35,025 in 2020) primarily attributable to sales growth in South Korea.

10.9.2.2 *Sales Revenue by Segment*

The table below sets forth the Group's sales revenue by segment and the period-on-period percentage of change for 2021 and 2020.

	For the Year Ended December 31,		
	2021	2020	Change in %
		(unaudited)	
	(EUR millions)		
Automotive	30,289	26,086	16%
Financial Services	3,127	2,837	10%
Reconciliation[1]	(278)	(229)	21%
Sales revenue	**33,138**	**28,695**	**15%**

Note:

(1) Reconciliation refers to consolidation effects from intercompany transactions between the segments.

Automotive sales revenue increased by EUR 4,203 million, or 16%, to EUR 30,289 million in 2021 from EUR 26,086 million in 2020. The increase was primarily driven by an increase in sales revenue attributable to Automotive sales supported by product and price mix with the Group selling 297,289 vehicles to dealers in 2021 compared to 264,989 in 2020 and an increase in sales revenue from used vehicles and third-party products. This increase was partially offset by the impact of supply-chain bottlenecks on production.

Financial Services sales revenue increased by EUR 290 million, or 10%, to EUR 3,127 million in 2021 from EUR 2,837 million in 2020. The increase was primarily driven by an increase in the size of the contract portfolio as well as higher commission revenue and increased sales revenue from the sale of used vehicles.

10.9.2.3 *Cost of Sales*

The Group's cost of sales increased by EUR 3,126 million, or 15%, to EUR 24,281 million in 2021 from EUR 21,155 million in 2020. The increase was primarily driven by increased Automotive sales and associated overhead costs. Cost of sales remained stable as a percentage of sales revenue at 73% in 2021 compared to 74% in 2020 primarily as a result of changes in product and regional mix.

10.9.2.4 *Distribution Expenses*

The Group's distribution expenses increased by EUR 230 million, or 12%, to EUR 2,111 million in 2021 from EUR 1,881 million in 2020. The increase was primarily driven by increased Automotive sales and associated selling costs and sales-related indirect overhead costs. Distribution expenses decreased as a percentage of sales revenue to 6% in 2021 from 7% in 2020.

10.9.2.5 *Administrative Expenses*

The Group's administrative expenses increased by EUR 171 million, or 14%, to EUR 1,426 million in 2021 from EUR 1,255 million in 2020. The increase was primarily driven by non-staff overhead costs and personnel expenses. Administrative expenses as a percentage of sales revenue remained unchanged at 4% for 2021 compared to 4% for 2020.

10.9.2.6 *Other Operating Income*

The Group's other operating income increased by EUR 126 million, or 13%, to EUR 1,079 million in 2021 from EUR 953 million in 2020. The increase was primarily driven by an increase of EUR 98 million in income generated from foreign exchange gains.

10.9.2.7 *Other Operating Expenses*

The Group's other operating expenses decreased by EUR 95 million, or 8%, to EUR 1,085 million in 2021 from EUR 1,180 million in 2020. The decrease was primarily driven by a reduction in expenses generated from foreign exchange losses by EUR 196 million in 2021. This decrease was partially offset by a EUR 90 million increase in losses from foreign currency hedging derivatives within hedge accounting in 2021 compared to 2020.

10.9.2.8 *Operating Profit*

The Group's operating profit increased by EUR 1,137 million, or 27%, to EUR 5,314 million in 2021 from EUR 4,177 million in 2020. The increase was primarily driven by growth in new vehicles sold as well as improving product mix which were partially offset by higher Net SG&A Expenses.

10.9.2.9 *Operating Profit by Segment*

The table below sets forth the Group's operating profit by segment (segment result (operating result)) and the period-on-period percentage of change for 2021 and 2020.

	For the Year Ended December 31,		
	2021	**2020**	**Change in %**
		(unaudited)	
	(EUR millions)		
Automotive	5,033	4,022	25%
Financial Services	313	191	64%
Reconciliation[1]	(32)	(36)	(11)%
Operating profit	**5,314**	**4,177**	**27%**

Note:

(1) Reconciliation refers to consolidation effects from intercompany transactions between the segments.

Automotive operating profit increased by EUR 1,011 million, or 25%, to EUR 5,033 million in 2021 from EUR 4,022 million in 2020. The increase was primarily driven by an increase from the effects of movements in volume (Automotive sales in 2021 were 297,289 compared to 264,989 in 2020 as a result of the recovery from the Covid-19 pandemic and the launch of the new model line Taycan), price, product mix, foreign exchange and other factors, which were partially offset by increases in fixed costs, which the Group considers to be comprised of (manufacturing overhead costs, indirect distribution costs (including marketing) and administrative costs (human resources, finance, procurement, IT), expensed development costs and depreciation and amortization, driven by the Group's electrification program.

Financial Services operating profit increased by EUR 122 million, or 64%, to EUR 313 million in 2021 from EUR 191 million in 2020. The increase was primarily attributable to the reversal of provisions for credit and residual value risks. In addition, refinancing was optimized in 2019 with a positive impact in 2020 and 2021.

10.9.2.10 *Share of Profit or Loss of Equity-Accounted Investments*

The Group's share of loss of equity-accounted investments increased by EUR 12 million to EUR 22 million in 2021 from EUR 10 million in 2020. The increase was primarily driven by a EUR 10 million increase in losses attributable to associates.

10.9.2.11 *Interest Income*

The Group's interest income increased by EUR 15 million, or 4%, to EUR 421 million in 2021 from EUR 406 million in 2020. The increase was primarily driven by an increase in interest income from financial assets.

10.9.2.12 *Interest Expenses*

The Group's interest expenses decreased by EUR 16 million, or 12%, to EUR 113 million in 2021 from EUR 129 million in 2020. The decrease was primarily driven by decreases in net interest on the net defined benefit liability and interest cost included in lease payments, which were partially offset by an increase in other interest and similar expenses.

10.9.2.13 *Other Financial Result*

The Group's other financial result increased by EUR 176 million to a gain of EUR 129 million in 2021 from a loss of EUR 47 million in 2020. The increase was primarily driven by an increase in other income from equity investments attributable to a reversal of an impairment loss on the investment in Bertrandt of EUR 51 million and changes in value of other equity investments measured at fair value of EUR 42 million in 2021.

10.9.2.14 *Financial Result*

For the reasons stated above, the Group's financial result increased by EUR 195 million, or 89%, to EUR 415 million in 2021 from EUR 220 million in 2020.

10.9.2.15 *Income Tax Expense*

The Group's income tax expense increased by EUR 460 million, or 37%, to EUR 1,691 million in 2021 from EUR 1,231 million in 2020. The increase was primarily driven by the increase in taxable profit in 2021 and an increase in the Group's effective tax rate to 29.5% for 2021 from 28.0% in 2020.

10.9.2.16 *Profit after Tax*

For the reasons stated above, the Group's profit after tax increased by EUR 872 million, or 28%, to EUR 4,038 million in 2021 from EUR 3,166 million in 2020.

10.9.2.17 *Return on Sales*

Set forth below is the Group's Return on Sales for 2021 and 2020. Return on Sales is an APM and should not be considered as an alternative to the financial results or other indicators of the Group's performance based on IFRS financial measures. See "*2.9 Non IFRS Financial Measures (Alternative Performance Measures)*" for more detail on Return on Sales and other APMs.

The Group's Return on Sales increased to 16.0% in 2021 from 14.6% in 2020. The increase was primarily driven by a recovery in market conditions and associated increase in demand, which were partially offset by increased fixed costs, which the Group considers to be comprised of manufacturing overhead costs, indirect distribution costs (including marketing) and administrative costs (human resources, finance, procurement, IT), expensed research and development costs and depreciation and amortization.

Automotive Return on Sales increased to 16.6% in 2021 from 15.4% in 2020. The increase was primarily driven by a recovery in market conditions and the associated increase in demand.

Financial Services Return on Sales increased to 10.0% in 2021 from 6.7% in 2020. The increase was primarily driven by increased income attributable to portfolio growth, the reversal of certain risk allowances related to non-materialized Covid-19 pandemic risks and the revaluation effects of interest hedging instruments in 2019 and 2020, which resulted in lower interest expenses in 2021.

10.9.3 2020 Compared to 2019

The table below sets forth the Group's consolidated income statement and the period-on-period percentage of change for 2020 and 2019.

	Year Ended December 31,		
	2020	**2019**	**Change in %**
	(audited) *(EUR millions)*		*(unaudited)*
Sales revenue	**28,695**	**28,518**	**1%**
Cost of sales[(1)]	(21,155)	(21,256)	—
Gross profit[(1)]	**7,540**	**7,262**	**4%**
Distribution expenses	(1,881)	(2,044)	(8)%
Administrative expenses[(1)]	(1,255)	(1,029)	22%
Other operating income	953	846	13%
Other operating expenses[(1)]	(1,180)	(1,173)	1%
Operating profit	**4,177**	**3,862**	**8%**
Share of profit or loss of equity-accounted investments	(10)	(1)	—
Interest income	406	416	(2)%
Interest expenses	(129)	(148)	(13)%

	Year Ended December 31,		
	2020	2019	Change in %
	(audited) *(EUR millions)*		*(unaudited)*
Other financial result	(47)	(75)	(37)%
Financial result	**220**	**192**	**15%**
Profit before tax	**4,397**	**4,054**	**8%**
Income tax expense	(1,231)	(1,253)	(2)%
Current	(998)	(1,268)	(21)%
Deferred	(233)	15	—
Profit after tax	**3,166**	**2,801**	**13%**

Note:

(1) For the purposes of the Audited 2021 Consolidated Financial Statements, the Company reclassified certain expenses within cost of sales, administrative expenses and other operating expenses. In order to present the prior-year 2020 financial information within the Audited 2021 Consolidated Financial Statements on a comparable basis, the Company adjusted cost of sales, administrative expenses and other operating expenses for the prior-year 2020. The financial information for 2020 has been taken from the adjusted prior-year figures in the Audited 2021 Consolidated Financial Statements. As a result, cost of sales, administrative expenses and other operating expenses within the financial information for 2021 and 2020 are not directly comparable to the equivalent line items for 2019 presented in this Prospectus. For information on the adjustments, see "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*" above.

10.9.3.1 *Sales Revenue*

The Group's sales revenue increased by EUR 177 million, or 1%, to EUR 28,695 million in 2020 from EUR 28,518 million in 2019. The marginal increase was primarily driven by an increase in Financial Services sales revenue in particular due to an increase in the size of the contract portfolio, supported by a EUR 26 million increase in Automotive sales revenue. The table below sets forth the Group's sales revenue by geographic region and the period-on-period percentage of change for 2020 and 2019.

	For the Year Ended December 31,		
	2020	2019	Change in %
	(unaudited) *(EUR millions)*		
Germany	3,721	3,819	(3)%
Europe without Germany	5,734	5,865	(2)%
North America	7,644	7,695	(1)%
China	8,673	8,394	3%
Rest of the World	3,208	3,033	6%
Hedges sales revenue	(285)	(289)	(1)%
Sales revenue	**28,695**	**28,518**	**1%**

The Group's sales revenue in Germany decreased by EUR 98 million, or 3%, to EUR 3,721 million in 2020 from EUR 3,819 million in 2019. The decrease was primarily driven by a 16% decrease in Automotive sales in 2020 (23,321 in 2020 compared to 27,853 in 2019) attributable to the impact of temporary lockdowns on the Group's ability to operate its production sites and the ability of dealers to operate dealerships, resulting in a decline in sales revenue.

The Group's sales revenue in Europe without Germany decreased by EUR 131 million, or 2%, to EUR 5,734 million in 2020 from EUR 5,865 million in 2019. The decrease was primarily driven by a 10% decrease in Automotive sales in 2020 compared to 2019 resulting from the impacts of the Covid-19 pandemic.

The Group's sales revenue in North America decreased by EUR 51 million, or 1%, to EUR 7,644 million in 2020 from EUR 7,695 million in 2019. The decrease was primarily driven by a 4% decrease in Automotive sales in 2020 (63,828 in 2020 compared to 66,573 in 2019) resulting from the impacts of the Covid-19 pandemic.

The Group's sales revenue in China increased by EUR 279 million, or 3%, to EUR 8,673 million in 2020 from EUR 8,394 million in 2019. The increase was primarily driven by improvements in product mix and price increases, partially offset by a marginal decrease in Automotive sales in 2020 (87,730 in 2020 compared to 87,751 in 2019) resulting from the impacts of the Covid-19 pandemic.

The Group's sales revenue in Rest of the World increased by EUR 175 million, or 6%, to EUR 3,208 million in 2020 from EUR 3,033 million in 2019. The increase was primarily driven by a 5% increase in Automotive sales in 2020 (35,025 in 2020 compared to 33,413 in 2019) primarily attributable to market growth and the more limited impact of the Covid-19 pandemic.

10.9.3.2 *Sales Revenue by Segment*

The table below sets forth the Group's sales revenue by segment and the period-on-period percentage of change for 2020 and 2019.

	For the Year Ended December 31,		
	2020	2019	Change in %
	(EUR millions)	(unaudited)	
Automotive	26,086	26,060	—
Financial Services	2,837	2,688	6%
Reconciliation[(1)]	(229)	(231)	(1)%
Sales revenue	**28,695**	**28,518**	**1%**

Note:

(1) Reconciliation refers to consolidation effects from intercompany transactions between the segments.

Automotive sales revenue increased by EUR 26 million to EUR 26,086 million in 2020 from EUR 26,060 million in 2019. The marginal increase was attributable to an increase in other revenue from the sale of engines and powertrains as well as development services, which offset the impact on demand of the Covid-19 pandemic and the associated decline in sales revenue from vehicles. Between 2020 and 2019, the effects of the Covid-19 pandemic resulted in a decrease in Automotive sales, which declined to 264,989 in 2020 from 276,888 in 2019. This decline was partially mitigated by the successful launch of the Group's all-electric Taycan model and an increase in Automotive sales in China and Rest of the World.

Financial Services sales revenue increased by EUR 149 million, or 6%, to EUR 2,837 million in 2020 from EUR 2,688 million in 2019. The increase was primarily driven by an increase in the size of the contract portfolio as well as higher commission revenue and increased sales revenue from the sale of used vehicles.

10.9.3.3 *Cost of Sales*

The Group's cost of sales remained stable at EUR 21,155 million in 2020 compared to EUR 21,256 million in 2019. As a percentage of sales revenue, cost of sales was 74% and 75% of sales revenue in 2020 and 2019, respectively. The slight decrease in cost of sales was primarily attributable to the reclassification and the adjustment to cost of sales in the Audited 2021 Consolidated Financial Statements for the prior year 2020 described in "*—10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*" above, which included the removal of EUR 443 million of expenses related to intragroup transactions, comprising intercompany eliminations from administrative expenses to cost of sales (EUR 245 million) and adjustments to the financial share of the company pension scheme (EUR 198 million) from cost of sales for 2020. Excluding these adjustments, the Group's cost of sales increased by EUR 342 million, or 2%, primarily driven by change in product and regional mix as well as expenses related to factory construction and personnel growth to support production of the Taycan series, which was partially offset by the marginal decrease in Automotive sales.

10.9.3.4 *Distribution Expenses*

The Group's distribution expenses decreased by EUR 163 million, or 8%, to EUR 1,881 million in 2020 from EUR 2,044 million in 2019. The decrease was primarily driven by the decrease in Automotive sales and a decrease in marketing events related to lockdowns, business closures and travel restrictions imposed in response to the ongoing Covid-19 pandemic. As a percentage of sales revenue, distribution expenses remained stable at 7% in 2019 compared to 7% in 2020.

10.9.3.5 *Administrative Expenses*

The Group's administrative expenses increased by EUR 226 million, or 22%, to EUR 1,255 million in 2020 from EUR 1,029 million in 2019. The increase in administrative expenses was primarily attributable to the reclassification and adjustments to administrative expenses in the Audited 2021 Consolidated Financial Statements for the prior year 2020 described in "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*" above, which comprised the addition of EUR 245 million of intercompany eliminations from administrative expenses to cost of sales and the removal of EUR 85 million of adjustments to the financial share of the company pension scheme from administrative expenses. Excluding these adjustments, administrative expenses increased by EUR 66 million, or 6%, primarily driven by higher costs attributable to digitization projects.

10.9.3.6 *Other Operating Income*

The Group's other operating income increased by EUR 107 million, or 13%, to EUR 953 million in 2020 from EUR 846 million in 2019. The increase was primarily driven by an increase of EUR 85 million in income generated from foreign currency hedging derivatives within hedge accounting.

10.9.3.7 *Other Operating Expenses*

The Group's other operating expenses increased by EUR 7 million, or 1%, to EUR 1,180 million in 2020 from EUR 1,173 million in 2019. The increase in other operating expenses was primarily attributable to the reclassification and adjustments to other operating expenses in the Audited 2021 Consolidated Financial Statements for the prior year 2020 described in "*10.7.1 Reclassification of Expenses in the Audited 2021 Financial Statements and Adjustment of Equivalent Expenses in 2020*" above, which comprised the addition of EUR 283 million of adjustments to the financial share of the company pension scheme to cost of sales from administrative expenses. Excluding these adjustments, the Group's other operating expenses decreased by EUR 276 million, or 24%, primarily driven by the EUR 535 million penalty notice by the public prosecutor's office in Stuttgart recorded in other operating expenses in 2019.

10.9.3.8 *Operating Profit*

The Group's operating profit increased by EUR 315 million, or 8%, to EUR 4,177 million in 2020 from EUR 3,862 million in 2019.

10.9.3.9 *Operating Profit by Segment*

The table below sets forth the Group's operating profit by segment (segment result (operating result)) and the period-on-period percentage of change for 2020 and 2019.

	For the Year Ended December 31,		
	2020	**2019**	**Change in %**
	(EUR millions)	*(unaudited)*	
Automotive	4,022	3,676	9%
Financial Services	191	198	(4)%
Reconciliation[(1)]	(36)	(12)	—
Operating profit	**4,177**	**3,862**	**8%**

Note:

(1) Reconciliation refers to consolidation effects from intercompany transactions between the segments.

Automotive operating profit increased by EUR 346 million, or 9%, to EUR 4,022 million in 2020 from EUR 3,676 million in 2019. The increase was primarily attributable to the EUR 535 million penalty notice issued by the public prosecutor's office in Stuttgart in 2019 related to the diesel issue. Excluding the penalty notice, Automotive operating profit decreased by EUR 189 million, primarily as a result of a decrease in the contribution from sales, price and foreign exchange movements, as well as increased depreciation, amortization and impairment losses, which were partially offset by a decrease in expensed development costs.

Financial Services operating profit decreased by EUR 7 million, or 4%, to EUR 191 million in 2020 from EUR 198 million in 2019. The decrease was primarily driven by less favorable exchange rates in 2020.

10.9.3.10 *Share of Profit or Loss of Equity-Accounted Investments*

The Group's share of loss of equity-accounted investments increased by EUR 9 million to a loss of EUR 10 million in 2020 from a loss of EUR 1 million in 2019. The increase was primarily driven by the impact of the Covid-19 pandemic on the business environment in which the Group's equity-accounted investments operate.

10.9.3.11 *Interest Income*

The Group's interest income decreased by EUR 10 million, or 2%, to EUR 406 million in 2020 from EUR 416 million in 2019. The decrease was primarily driven by a decrease in interest income from financial assets as a result of the U.S. Federal Reserve's continued adherence to low benchmark interest rates.

10.9.3.12 *Interest Expenses*

The Group's interest expenses decreased by EUR 19 million, or 13%, to EUR 129 million in 2020 from EUR 148 million in 2019. The decrease was primarily driven by decreases in interest result from discounting other non-current liabilities and net interest on the net defined benefit liability, which were partially offset by an increase in other interest and similar expenses.

10.9.3.13 *Other Financial Result*

The Group's other financial result increased by EUR 28 million, or 37%, to a loss of EUR 47 million in 2020 from a loss of EUR 75 million in 2019. The increase was primarily driven by a EUR 130 million gain resulting from gains and losses from remeasurement and impairment of financial instruments in 2020 compared to a EUR 19 million loss in 2019. The gain was partially offset by an increase in expenses from other equity investments and a EUR 47 million decrease in gains and losses from fair value changes of derivatives not included in hedge accounting.

10.9.3.14 *Financial Result*

For the reasons stated above, the Group's financial result increased by EUR 28 million, or 15%, to EUR 220 million in 2020 from EUR 192 million in 2019.

10.9.3.15 *Income Tax Expense*

The Group's income tax expense decreased by EUR 22 million, or 2%, to EUR 1,231 million in 2020 from EUR 1,253 million in 2019. The decrease was primarily driven by a reduction in the Group's effective tax rate from 30.9% in 2019 to 28.0% in 2020.

10.9.3.16 *Profit after Tax*

For the reasons stated above, the Group's profit after tax increased by EUR 365 million, or 13%, to EUR 3,166 million in 2020 from EUR 2,801 million in 2019.

10.9.3.17 *Return on Sales*

Set forth below is the Group's Return on Sales for 2020 and 2019. Return on Sales is an APM and should not be considered as an alternative to the financial results or other indicators of the Group's performance based on IFRS financial measures. See "*2.9 Non IFRS Financial Measures (Alternative Performance Measures)*" for more detail on Return on Sales and other APMs.

The Group's Return on Sales decreased to 14.6% in 2020 from 15.4% in 2019. The decrease was primarily driven by the onset of the Covid-19 pandemic, partially offset by the prompt introduction of countermeasures and cost discipline as well as strong market performance in the second half of 2020.

Automotive Return on Sales decreased to 15.4% in 2020 from 16.2% in 2019. The decrease was primarily driven by the onset of the Covid-19 pandemic, partially offset by the prompt introduction of countermeasures and cost discipline as well as strong market performance in the second half of 2020.

Financial Services Return on Sales decreased to 6.7% in 2020 from 7.4% in 2019. The decrease was primarily driven by additional risk allowances to cater for potential Covid-19 pandemic impacts, higher fixed costs and interest rate swap evaluation losses.

10.10 Assets, Equity and Liabilities

10.10.1 Assets

The following table provides an overview of the Group's assets as taken from the condensed consolidated statement of financial position as of June 30, 2022.

	As of June 30, 2022	As of December 31, 2021
	(unaudited)	
	(EUR millions)	
Assets		
Intangible assets	6,813	6,190
Property, plant and equipment	8,659	8,763
Leased assets	4,048	3,954
Financial Services receivables	3,895	3,461
Equity-accounted investments, other equity investments, other financial assets, other receivables and deferred tax assets(1)	3,330	10,462
Non-current assets	**26,744**	**32,830**
Inventories(2)	5,245	4,517
Financial Services receivables	1,338	1,081
Other financial assets and other receivables(3)	3,885	7,131
Tax receivables	91	155
Securities and time deposits(4)	2,034	982
Cash and cash equivalents(4)	3,838	4,686
Assets held for distribution	11,881	—
Current assets	**28,311**	**18,552**
Total assets	**55,055**	**51,382**

Notes:

(1) In the Unaudited Condensed Consolidated Interim Financial Statements, equity-accounted investments, other equity investments, non-current other financial assets, non-current other receivables and deferred tax assets are condensed into the line item equity-accounted investments, other equity investments, other financial assets, other receivables and deferred tax assets.

(2) Inventories include raw materials, consumables, supplies, work in progress, finished goods and merchandise, current rental and leasing assets and advanced payments made.

(3) In the Unaudited Condensed Consolidated Interim Financial Statements, trade receivables, current other financial assets and current other receivables are condensed into the line item current other financial assets and other receivables.

(4) For the purposes of the Unaudited Condensed Consolidated Interim Financial Statements, as of June 30, 2022 time deposits with an original contractual term of more than 3 months were allocated to securities and time deposits; as of December 31, 2021, these were included in cash and cash equivalents (EUR 359 million), which had been recorded under cash, cash equivalents and time deposits in prior years.

The following table provides an overview of the Group's assets as taken from the consolidated statement of financial position as of December 31, 2021, 2020 and 2019.

	As of December 31,		
	2021	2020	2019
		(audited) *(EUR millions)*	
Assets			
Intangible assets	6,190	5,437	5,085
Property, plant and equipment	8,763	8,695	8,624
Leased assets	3,954	3,614	3,829
Equity-accounted investments(1)	573	167	298
Other equity investments	313	217	146
Financial Services receivables	3,461	2,414	1,841
Other financial assets	8,596	8,870	8,350
Other receivables	113	164	179
Deferred tax assets	867	817	1,355
Non-current assets	**32,830**	**30,395**	**29,707**
Inventories(2)	4,517	4,108	4,013
Trade receivables	1,199	1,081	842
Financial Services receivables	1,081	1,122	842
Other financial assets	5,353	2,761	2,415
Other receivables	579	606	490
Tax receivables	155	163	95
Securities(3)	982	755	451
Cash, cash equivalents and time deposits(3)	4,686	4,500	3,511
Current assets	**18,552**	**15,096**	**12,659**
Total assets	**51,382**	**45,491**	**42,366**

Notes:

(1) Equity-accounted investments include the Group's joint ventures and associates.

(2) Inventories include raw materials, consumables, supplies, work in progress, finished goods and merchandise, current rental and leasing assets and advanced payments made.

(3) For the purposes of the Unaudited Condensed Consolidated Interim Financial Statements, as of June 30, 2022 time deposits with an original contractual term of more than 3 months were allocated to securities and time deposits; as of December 31, 2021, 2020 and 2019, these were included in cash and cash equivalents, which had been recorded under cash, cash equivalents and time deposits.

10.10.1.1 *Comparison of June 30, 2022 to December 31, 2021*

The Group's total assets increased by EUR 3,673 million, or 7%, to EUR 55,055 million as of June 30, 2022 from EUR 51,382 million as of December 31, 2021. The increase was primarily attributable to increases in capitalized development costs, financial services receivables, marketable securities and inventories, the latter primarily in the area of new vehicles. The increase was also driven by growth in equity-accounted investments and other equity investments as of June 30, 2022 compared to December 31, 2021. The increase in other equity investments primarily related to the acquisition of shares in FAZUA GmbH in the amount of EUR 101 million in H1 2022, the acquisition of an investment in Group14 of EUR 92 million and the EUR 54 million acquisition of Porsche Financial Services Korea Ltd. in H1 2022.

In H1 2022, the Company's shareholder approved the Pre-IPO Spin-Off of loan receivables and other financial assets due from Porsche GmbH as well as receivables due from Volkswagen AG, which were classified as cash and cash equivalents. As of June 30, 2022, these financial assets were classified as current assets held for distribution because the Pre-IPO Spin-Off was regarded as highly probable to occur within a 12-month period due to the notarial certification in June of 2022, confirmed by the entry of the Pre-IPO Spin-Off in the commercial register at the beginning of July of 2022. For information on the Pre-IPO Spin-Off, see "*14.3 Pre-IPO Spin-Off*".

The Group's non-current assets decreased by EUR 6,086 million, or 19%, to EUR 26,744 million as of June 30, 2022 from EUR 32,830 million as of December 31, 2021. As a percentage of total assets, non-current assets amounted to 49% as of June 30, 2022 compared to 64% as of December 31, 2021. The decrease was primarily driven by a decrease in non-current other financial assets which largely related to the reclassification of the loan receivables due from Porsche GmbH of EUR 8,135 million as of June 30, 2022 to current assets held for distribution. This decrease was partially offset by increases in the values of financial services receivables, intangible assets, other equity investments and equity-accounted investments as of June 30, 2022 compared to December 31, 2021.

The Group's fixed assets, comprising intangible assets, property, plant and equipment, leased assets, equity-accounted investments, and other equity investments, increased by EUR 1,013 million, or 5%, to EUR 20,806 million as of June 30, 2022 from EUR 19,793 million as of December 31, 2021. Fixed assets accounted for 38% of total assets as of June 30, 2022 compared to 39% as of December 31, 2021. The Group's intangible assets increased by EUR 623 million, or 10%, to EUR 6,813 million as of June 30, 2022 from EUR 6,190 million as of December 31, 2021. The increase was largely attributable to capitalized development costs, with the largest additions relating to the Cayenne, 911 and Macan models. Property, plant and equipment decreased by EUR 104 million to EUR 8,659 million as of June 30, 2022 from EUR 8,763 million as of December 31, 2021. The decrease was primarily due to the lower net carrying amounts of equipment, furniture and fixtures as well as technical equipment and machinery, while the carrying amounts of land and buildings as well as advance payments made and assets under construction increased. Leased assets increased by EUR 94 million, or 2%, to EUR 4,048 million as of June 30, 2022 compared to EUR 3,954 million as of December 31, 2021. Leased assets include vehicles leased to customers under operating leases. The carrying amounts of the Group's equity-accounted investments increased due to the completion of the capital transactions at the Rimac Group and IONITY. This was counterbalanced by an impairment loss of EUR 37 million on the Group's shareholding in Bertrandt. As of June 30, 2022, the Group's equity-accounted investments amounted to EUR 643 million and the additional other equity investments amounted to EUR 643 million.

The Group's current assets increased by EUR 9,759 million, or 53%, to EUR 28,311 million as of June 30, 2022 from EUR 18,552 million as of December 31, 2021. As a percentage of total assets, current assets amounted to 51% as of June 30, 2022 compared to 36% as of December 31, 2021. Assets classified as held for distribution had a particular effect on the Group's current assets due to the reclassification of the loan receivables of EUR 8,135 million due from Porsche GmbH as of June 30, 2022, originally recognized as a non-current asset, to current assets held for distribution. The Group's inventories increased by EUR 728 million, or 16%, to EUR 5,245 million as of June 30, 2022 from EUR 4,517 million as of December 31, 2021. The increase primarily related to the increase in inventories of new vehicles in the Chinese market due to the restrictions implemented in H1 2022 under the zero-Covid strategy. Current other financial assets and other receivables decreased by EUR 3,246 million, or 46%, to EUR 3,885 million as of June 30, 2022 from EUR 7,131 million as of December 31, 2021. The decrease related to (i) the reclassification of the clearing account with Porsche GmbH of EUR 2,028 million and the current loan receivables due from Porsche GmbH of EUR 214 million to current assets held for distribution; and (ii) the repayment of the current loan of EUR 2,000 million granted to Volkswagen AG. Derivative financial instruments marked to market increased, as did other receivables, in particular VAT receivables. Securities and time deposits as well as cash and cash equivalents increased by EUR 204 million, or 4%, to EUR 5,872 million as of June 30, 2022 from EUR 5,668 million as of December 31, 2021. As a result of the increased time deposits with an original contractual term of more than three months, these time deposits are presented together with securities as of June 30, 2022. The Group's EUR 11,881 million of assets held for distribution as of June 30, 2022 includes the loan receivables due from Porsche GmbH of EUR 8,349 million (including accrued interest), other financial assets of EUR 2,028 million, cash and cash equivalents of EUR 1,501 million and deferred tax assets of EUR 3 million.

10.10.1.2 *Comparison of December 31, 2021 to December 31, 2020*

The Group's total assets increased by EUR 5,891 million, or 13%, to EUR 51,382 million as of December 31, 2021 from EUR 45,491 million as of December 31, 2020.

The Group's non-current assets increased by EUR 2,435 million, or 8%, to EUR 32,830 million as of December 31, 2021 from EUR 30,395 million as of December 31, 2020. The increase was primarily driven by a EUR 1,047 million increase in financial services receivables, a EUR 406 million increase in equity-accounted investments and a EUR 753 million increase in intangible assets. As a percentage of total assets, non-current assets amounted to 64% as of December 31, 2021, as compared to 67% as of December 31, 2020.

The Group's fixed assets, comprising intangible assets, property, plant and equipment, leased assets, equity-accounted investments and other equity investments, increased by EUR 1,663 million, or 9%, to EUR 19,793 million as of December 31, 2021 from EUR 18,130 million as of December 31, 2020, marginally decreasing as a percentage of total assets from 40% as of December 31, 2020 to 39% as of

December 31, 2021. The Group's intangible assets increased by EUR 753 million, or 14%, to EUR 6,190 million as of December 31, 2021 from EUR 5,437 million as of December 31, 2020. This increase was primarily attributable to an increase in capitalized development costs related to the Macan, Panamera and 911 series, as well as to an increase in emissions rights and acquired intangible assets, partially offset by a decrease in right-of-use assets. Property, plant and equipment increased by EUR 68 million, or 1%, to EUR 8,763 million as of December 31, 2021 from EUR 8,695 million as of December 31, 2020. This increase was primarily attributable to the addition of buildings and land and rights to use buildings and land, partially offset by a decrease in furniture and fixtures and advanced payments made in respect of assets under construction. The Group's equity-accounted investments increased by EUR 406 million to EUR 573 million as of December 31, 2021 from EUR 167 million as of December 31, 2020. The increase was primarily driven by the acquisition of shares in Bugatti Rimac d.o.o. and the participation in a capital increase at the Rimac Group. Non-current other financial assets decreased by EUR 274 million, or 3%, to EUR 8,596 million as of December 31, 2021 from EUR 8,870 million as of December 31, 2020. This decrease derives from derivative financial instruments marked to market.

The Group's current assets increased by EUR 3,456 million, or 23%, from EUR 15,096 million as of December 31, 2020 to EUR 18,552 million as of December 31, 2021. As a percentage of total assets, current assets amounted to 36% as of December 31, 2021, as compared to 33% as of December 31, 2020. The Group's inventories increased by EUR 409 million, or 10%, to EUR 4,517 million as of December 31, 2021 from EUR 4,108 million as of December 31, 2020. The increase was primarily driven by an increase in work in progress, which was partially offset by a decrease in the finished goods and merchandise. Current other financial assets increased by EUR 2,592 million, or 94%, to EUR 5,353 million as of December 31, 2021 from EUR 2,761 million as of December 31, 2020. This increase mainly relates to receivables from Volkswagen AG of EUR 2,000 million resulting from a short-term loan granted to Volkswagen AG and payments to the clearing account with Porsche GmbH resulting in an increase in the current clearing account and interest receivables of the Company of EUR 242 million as of December 31, 2021 compared to December 31, 2020.

10.10.1.3 *Comparison of December 31, 2020 to December 31, 2019*

The Group's total assets increased by EUR 3,125 million, or 7%, to EUR 45,491 million as of December 31, 2020 from EUR 42,366 million as of December 31, 2019.

The Group's non-current assets increased by EUR 688 million, or 2%, to EUR 30,395 million as of December 31, 2020 from EUR 29,707 million as of December 31, 2019. The increase was primarily driven by a EUR 573 million increase in financial services receivables and a EUR 520 million increase in non-current other financial assets, partially offset by a decrease in deferred tax assets. As a percentage of total assets, non-current assets amounted to 67% as of December 31, 2020, as compared to 70% as of December 31, 2019.

The Group's fixed assets, comprising intangible assets, property, plant and equipment, leased assets, equity-accounted investments and other equity investments, increased by EUR 148 million, or 1%, to EUR 18,130 million as of December 31, 2020 from EUR 17,982 million as of December 31, 2019, decreasing as a percentage of total assets from 42% as of December 31, 2019 to 40% as of December 31, 2020. The Group's intangible assets increased by EUR 352 million, or 7%, to EUR 5,437 million as of December 31, 2020 from EUR 5,085 million as of December 31, 2019. This increase was primarily attributable to an increase in capitalized development costs related to the Macan, Panamera and 911 series, as well as to an increase in right-of-use assets, emissions rights and acquired intangible assets. Property, plant and equipment increased by EUR 71 million, or 1%, to EUR 8,695 million as of December 31, 2020 from EUR 8,624 million as of December 31, 2019. This increase was primarily attributable to the addition of buildings and land and advance payments made in respect of assets under construction, partially offset by a decrease in furniture and fixtures. The Group's equity-accounted investments decreased by EUR 131 million, or 44%, to EUR 167 million as of December 31, 2020 from EUR 298 million as of December 31, 2019. The decrease was primarily driven by valuation and current results of Bertrandt and IONITY. Non-current other financial assets increased by EUR 520 million, or 6%, to EUR 8,870 million as of December 31, 2020 from EUR 8,350 million as of December 31, 2019. This increase derives from derivative financial instruments marked to market. Deferred tax assets decreased by EUR 538 million to EUR 817 million as of December 31, 2020 from EUR 1,355 million as of December 31, 2019.

The Group's current assets increased by EUR 2,437 million, or 19%, to EUR 15,096 million as of December 31, 2020 from EUR 12,659 million as of December 31, 2019. As a percentage of total assets, current assets amounted to 33% as of December 31, 2020, as compared to 30% as of December 31, 2019. The Group's inventories increased by EUR 95 million, or 2%, to EUR 4,108 million as of December 31, 2020 from EUR 4,013 million as of December 31, 2019. The increase was primarily driven by increases in advance payments made, current rental and leasing assets, finished goods and merchandise and raw materials, consumables and supplies. Current other financial assets increased by EUR 346 million, or 14%, to EUR 2,761 million as of December 31, 2020 from EUR 2,415 million as of December 31, 2019. This increase mainly relates to payments to the clearing account with Porsche GmbH resulting in an increase in the current clearing account and interest receivables of the Company of EUR 239 million, and an increase in the positive fair value of derivative financial instruments from financial derivatives marked to market (EUR 103 million) as of December 31, 2020 compared to December 31, 2019. Cash, cash equivalents and time deposits increased by EUR 989 million to EUR 4,500 million as of December 31, 2020 from EUR 3,511 million as of December 31, 2019.

10.10.2 Equity and Liabilities

The following table provides an overview of the Group's equity and liabilities as taken from the condensed consolidated statement of financial position as of June 30, 2022. This table does not reflect the Group's equity and liabilities at the time of the Offering. See "*8 Capitalization, Indebtedness and Statement on Working Capital*".

	As of June 30, 2022	As of December 31, 2021
	(unaudited)	
	(EUR millions)	
Equity and liabilities		
Equity before non-controlling interests(1)	**15,036**	**22,927**
Non-controlling interests	7	8
Equity	**15,043**	**22,935**
Provisions for pensions and similar obligations	3,649	5,525
Financial liabilities	6,424	6,599
Other liabilities(2)	4,655	3,244
Non-current liabilities	**14,728**	**15,368**
Financial liabilities	3,338	3,128
Trade payables	3,181	2,447
Other liabilities(3)	6,885	7,505
Liabilities from distributions in kind	11,881	—
Current liabilities	**25,284**	**13,079**
Total liabilities	**40,012**	**28,447**
Total equity and liabilities	**55,055**	**51,382**

Notes:

(1) In the Unaudited Condensed Consolidated Interim Financial Statements, subscribed capital, capital reserves, retained earnings and other reserves are condensed into equity before non-controlling interests.

(2) In the Unaudited Condensed Consolidated Interim Financial Statements, non-current other provisions, deferred tax liabilities, non-current other financial liabilities and non-current other liabilities are condensed into non-current other liabilities.

(3) In the Unaudited Condensed Consolidated Interim Financial Statements, provisions for taxes, current other provisions, current other financial liabilities, current other liabilities and tax payables are condensed into current other liabilities.

The following table provides an overview of the Group's equity and liabilities as taken from the consolidated statement of financial position as of December 31, 2021, 2020 and 2019.

	As of December 31,		
	2021	2020	2019
	(audited, unless otherwise indicated)		
Equity and liabilities			
Subscribed capital	45	45	45
Capital reserves	14,225	13,754	12,726
Retained earnings	9,146	6,302	4,991
Other reserves	(489)	118	(339)
Equity before non-controlling interests	**22,927**	**20,219**	**17,423**
Non-controlling interests	8	5	5
Equity	**22,935**	**20,224**	**17,428**
Provisions for pensions and similar obligations	5,525	5,932	5,438
Other provisions	1,184	939	996
Deferred tax liabilities	782	685	681
Financial liabilities	6,599	5,668	5,375
Other financial liabilities	633	285	657
Other liabilities	645	473	492
Non-current liabilities	**15,368**	**13,982**	**13,639**
Provisions for taxes	126	111	129
Other provisions	2,189	1,849	2,118
Financial liabilities	3,128	2,657	2,239
Trade payables	2,447	2,335	2,582
Other financial liabilities	3,638	2,959	3,082
Other liabilities	1,486	1,331	1,077
Tax payables	65	43	72
Current liabilities	**13,079**	**11,285**	**11,299**
Total liabilities (*unaudited*)	**28,447**	**25,267**	**24,938**
Total equity and liabilities	**51,382**	**45,491**	**42,366**

10.10.2.1 *Comparison of June 30, 2022 to December 31, 2021*

The Group's total equity decreased by EUR 7,892 million, or 34%, to EUR 15,043 million as of June 30, 2022 from EUR 22,935 million as of December 31, 2021. This decrease was primarily due to a reduction in capital reserves and retained earnings as a result of the recognition of liabilities from distributions in kind of EUR 11,881 million. In contrast, the positive developments of profit after tax and other comprehensive income net of tax as well as the capital contribution by Porsche GmbH caused equity to increase by EUR 3,996 million as of June 30, 2022. The principal drivers of this increase were the pension plan remeasurements net of tax, and positive effects from currency translation. This increase was counterbalanced by the negative effects of the measurement of derivative financial instruments through other comprehensive income.

The Group's total liabilities increased by EUR 11,565 million, or 41%, to EUR 40,012 million as of June 30, 2022 from EUR 28,447 million as of December 31, 2021. The increase was primarily driven by liabilities from distribution in kind as a result of the Pre-IPO Spin-Off.

Non-current liabilities relate to pension provisions and similar obligations, financial liabilities as well as non-current other liabilities. Non-current liabilities decreased by EUR 640 million, or 4%, to EUR 14,728 million as of June 30, 2022 from EUR 15,368 million as of December 31, 2021. Non-current liabilities expressed as a percentage of total equity and liabilities decreased to 27% as of June 30, 2022 from 30% as of December 31, 2021. The decrease was primarily attributable to provisions for pensions and similar obligations, which decreased by EUR 1,876 million largely as a result of an actuarial remeasurement stemming from the change in the discount rate from 1.4% as of December 31, 2021 to 3.3% as of June 30, 2022. On the other hand, non-current other liabilities increased by EUR 1,411 million, or 43%, to EUR 4,655 million as of June 30, 2022 from EUR 3,244 million as of December 31, 2021. The increase largely resulted from a EUR 677 million increase in derivative financial instruments marked to market and a EUR 634 million increase in non-current deferred tax liabilities as of June 30, 2022 compared to December 31, 2021.

The Group's current liabilities contain current financial liabilities, trade payables, current other liabilities as well as liabilities from distributions in kind. The Group's current liabilities increased by EUR 12,205 million, or 93%, to EUR 25,284 million as of June 30, 2022 from EUR 13,079 million as of December 31, 2021. As a percentage of total equity and liabilities, the Group's current liabilities increased to 46% as of June 30, 2022 from 25% as of December 31, 2021. The increase was primarily attributable to the liabilities due to Porsche GmbH from distributions in kind, which, with the conclusion of the notarized deed of the spin-off resolutions before June 30, 2022, were recognized at the carrying amount of the assets being spun off (EUR 11,881 million). Trade payables increased by EUR 734 million, or 30%, to EUR 3,181 million as of June 30, 2022 compared to EUR 2,447 million as of December 31, 2021. Current other liabilities decreased by EUR 620 million compared to December 31, 2021. The decrease was primarily attributable to the payment of the profit transfer of EUR 1,858 million for 2021 to Porsche GmbH. This was counterbalanced by an increase of EUR 426 million attributable to derivative financial instruments marked to market and an increase in current liabilities from other taxes of EUR 609 million as of June 30, 2022 compared to December 31, 2021.

10.10.2.2 *Comparison of December 31, 2021 to December 31, 2020*

The Group's total equity increased by EUR 2,711 million, or 13%, to EUR 22,935 million as of December 31, 2021 from EUR 20,224 million as of December 31, 2020. The increase was primarily driven by profit after tax of EUR 4,038 million in 2021 and capital contributions of EUR 471 million by Porsche GmbH. This was partially offset by profit transfer and dividend payments of EUR 1,862 million in 2021. In addition, equity increased due to an increase in other comprehensive income, net of tax, of EUR 64 million, primarily comprising remeasurements of pension plans of EUR 616 million and currency translation of EUR 397 million, which were partially offset by negative changes in cash flow hedges including deferred costs of hedging of EUR 993 million.

The Group's total liabilities increased by EUR 3,180 million, or 13%, to EUR 28,447 million as of December 31, 2021 from EUR 25,267 million as of December 31, 2020. The increase was primarily driven by higher current and non-current financial liabilities (amounting to EUR 1,402 million as of December 31, 2021 compared to December 31, 2020) related to the refinancing of the Financial Services segment in the form of asset-backed securities transactions and partial repayment of the debenture bond, as well as an increase in current and non-current other financial liabilities of EUR 1,027 million as of December 31, 2021 compared to December 31, 2020, primarily attributable to derivative financial instruments marked to market. These increases were partially offset by a EUR 407 million decrease in provision for pensions and similar obligations as of December 31, 2021 compared to December 31, 2020 as a result of an increased discount rate in 2021.

10.10.2.3 *Comparison of December 31, 2020 to December 31, 2019*

The Group's total equity increased by EUR 2,796 million, or 16%, to EUR 20,224 million as of December 31, 2020 from EUR 17,428 million as of December 31, 2019. The increase was primarily driven by profit after tax in 2020 and the positive development of other comprehensive income, net of tax, due to cash flow hedges, together with the capital contribution of EUR 1,028 million by Porsche GmbH. This increase was partially offset by a profit transfer and dividends payment of EUR 1,864 million in 2020 as well as currency translation, which reduced equity by EUR 340 million in 2020.

The Group's total liabilities increased by EUR 329 million, or 1%, to EUR 25,267 million as of December 31, 2020 from EUR 24,938 million as of December 31, 2019. The increase was primarily driven by a EUR 494 million increase in provisions for pensions and similar obligations as of December 31, 2020 compared to December 31, 2019 related to a rise in the number of eligible employees, an increase in non-current and current financial liabilities of EUR 711 million related to the refinancing of the Financial Services segment in the form of asset-backed securities refinancing and debenture bonds and a EUR 334 million increase in liabilities related to the profit and loss transfer agreement and tax allocations with Porsche GmbH. These increases were partially offset by a EUR 576 million decrease in non-current and current other financial liabilities attributable to derivative financial instruments marked to market as of December 31, 2020 compared to December 31, 2019.

10.11 Liquidity and Capital Resources

10.11.1 Overview

The efficient and effective use of capital is one of the focuses of the Group, as the Group considers it to be fundamental to sustainable, attractive and improving net cash flow generation. The Group's primary sources of liquidity are cash flows from operating activities and the issuance of debt obligations. As of the date of this

Prospectus, the Group also has internal credit lines with the Volkswagen Group. The intention is to replace these with a third-party revolving credit facility following the completion of the Offering. The Financial Services segment also uses asset-backed securities programs to finance lease and financing agreements. From time to time, the Company has issued related party loans to Volkswagen AG. For more information, please see "*14 Certain Relationships and Related Party Transactions*". The Group had cash and cash equivalents of EUR 5,340 million (including cash and cash equivalents classified as assets held for distribution), EUR 4,327 million, EUR 4,344 million and EUR 3,174 million, as of June 30, 2022, December 31, 2021, December 31, 2020 and December 31, 2019, respectively.

Following the completion of the Offering, the Group expects that its key sources of liquidity will continue to be cash flows from operating activities and external facilities. The Group aims to manage its capital to ensure that all Group companies can continue to operate as a going concern. It intends to continue to focus on maintaining cash generation through a controlled growth strategy and continued efficiency efforts.

The Group plans to operate under a prudent capital allocation policy. It intends to continue its focused investment program, both organically and with selected partnerships. In the mid-term, the Group will also target a reduction in its combined spending on research and development and Capital Expenditure as a percentage of sales revenue. Furthermore, the Group intends to opportunistically reduce its pension liability by funding up to approximately 60% to 70% of its net defined benefit obligation in the medium term, subject to market conditions. The Group's capital allocation policy is to achieve an Automotive Net Liquidity position of 15% to 20% of Automotive sales revenue. The Group believes this capital allocation policy will support its proposed dividend policy. See "*7 Dividend Policy*".

The Group's ability to generate cash flow from operations depends on its future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond its control. See "*10.6 Key Factors Affecting the Results of Operations*" for a discussion of certain factors that could affect its future performance and the industries in which the Group operates.

10.11.2 Cash Flows

The following table sets forth the principal components of the Group's cash flows for the reporting periods indicated.

	Six Months Ended June 30,		Year Ended December 31,		
	2022	**2021**	**2021**	**2020**	**2019**
	(unaudited)		*(audited)*		
	(EUR millions)				
Cash flows from operating activities	**3,922**	**3,653**	**6,416**	**4,140**	**4,486**
Cash flows from investing activities	**(898)**	**(3,701)**	**(5,965)**	**(3,019)**	**(3,617)**
Cash flows from financing activities	**(2,049)**	**(1,197)**	**(518)**	**78**	**(353)**
Net change in cash and cash equivalents	1,013	(1,227)	(67)	1,199	516
Effect of exchange rate changes on cash and cash equivalents	38	18	50	(29)	23
Cash and cash equivalents at beginning of period	4,327	4,344	4,344	3,174	2,635
Cash and cash equivalents at end of period	**5,340**	**3,117**	**4,327**	**4,344**	**3,174**

10.11.2.1 *Cash Flows From Operating Activities*

H1 2022 compared to H1 2021

The Group's cash flows from operating activities increased by EUR 269 million, or 7%, to EUR 3,922 million in H1 2022 from EUR 3,653 million in H1 2021. The increase was primarily driven by higher profit before tax, and cash inflows from changes in liabilities (excluding financial liabilities), partly offset by higher cash outflows from changes in inventories and financial services receivables.

2021 compared to 2020

The Group's cash flows from operating activities increased by EUR 2,276 million, or 55%, to EUR 6,416 million in 2021 from EUR 4,140 million in 2020. The increase was primarily driven by higher profit before tax, which was partially offset by higher income taxes paid. The increase was also driven by cash inflows from changes in other provisions, liabilities (excluding financial liabilities) and receivables (excluding financial services receivables).

2020 compared to 2019

The Group's cash flows from operating activities decreased by EUR 346 million, or 8%, to EUR 4,140 million in 2020 from EUR 4,486 million in 2019. While profit before tax increased, cash flows from operating activities decreased primarily due to cash outflows from changes in financial services receivables and other provisions partially offset by positive effects from lower income taxes paid.

10.11.2.2 *Cash Flows From Investing Activities*

H1 2022 compared to H1 2021

The Group's cash outflows from investing activities decreased by EUR 2,803 million, or 76%, to EUR 898 million in H1 2022 from EUR 3,701 million in H1 2021. The decrease was primarily driven by cash inflows from changes in investments in securities, loans and time deposits primarily attributable to the repayment of a EUR 2,000 million short-term loan in H1 2022 which was granted to Volkswagen AG resulting in an equivalent cash outflow in H1 2021, partially offset by higher cash outflows due to changes in equity investments and additions to capitalized development costs.

2021 compared to 2020

The Group's cash outflows from investing activities increased by EUR 2,946 million, or 98%, to EUR 5,965 million in 2021 from EUR 3,019 million in 2020. The increase was primarily driven by cash outflows related to loans and time deposits of EUR 2,308 million in 2021 compared to cash inflows of EUR 51 million in 2020 (an increase of EUR 2,359 million). Excluding cash outflows from investments in securities, loans and time deposits, cash outflows from the investing activities of current operations increased by EUR 604 million in 2021 compared to 2020, primarily related to a EUR 376 million increase in additions to capitalized development costs. Investments in intangible assets (excluding capitalized development costs) and property, plant and equipment decreased by EUR 105 million, from EUR 1,547 million in 2020 to EUR 1,442 million in 2021.

2020 compared to 2019

The Group's cash outflows from investing activities decreased by EUR 598 million, or 17%, to EUR 3,019 million in 2020 from EUR 3,617 million in 2019. The decrease was primarily driven by reduced investments in intangible assets (excluding capitalized development costs) and property, plant and equipment of EUR 1,547 million in 2020 compared to EUR 2,044 million in 2019 (a decrease of EUR 497 million), and a change in cash flows related to loans and time deposits, which resulted in cash inflows of EUR 51 million in 2020 compared to cash outflows of EUR 427 million in 2019 (a change of EUR 478 million). These cash inflows were partially offset by increased investments in securities of EUR 300 million in 2020 (2019: EUR 146 million) and higher additions to capitalized development costs of EUR 1,225 million in 2020 (2019: EUR 949 million).

10.11.2.3 *Cash Flows From Financing Activities*

H1 2022 compared to H1 2021

The Group's cash outflows from financing activities increased by EUR 852 million, or 71%, to EUR 2,049 million in H1 2022 from EUR 1,197 million in H1 2021. The increase was primarily driven by the repayment of bonds and changes in other financial liabilities.

2021 compared to 2020

The Group's cash flows from financing activities changed by EUR 596 million to cash outflows of EUR 518 million in 2021 from cash inflows of EUR 78 million in 2020. The decrease was primarily driven by reduced capital contributions from Porsche GmbH (EUR 471 million in 2021 compared to EUR 1,028 million in 2020) and increased payments in respect of profit transfer and dividends (EUR 1,864 million in 2021 compared to EUR 1,802 million in 2020).

2020 compared to 2019

The Group's cash flows from financing activities changed by EUR 431 million to cash inflows of EUR 78 million in 2020 from cash outflows of EUR 353 million in 2019. These cash inflows were primarily driven by reduced payments in respect of profit transfer and dividends, which decreased by EUR 492 million from EUR 2,294 million in 2019 to EUR 1,802 million in 2020. This positive effect was partially offset by a decrease in cash inflows from capital contributions made by Porsche GmbH, which decreased by EUR 245 million from EUR 1,273 million in 2019 to EUR 1,028 million in 2020.

10.11.2.4 *Automotive Net Cash Flow*

Set forth below is Automotive Net Cash Flow and Automotive Net Cash Flow Margin for H1 2022, H1 2021, 2021, 2020 and 2019, and Automotive Net Liquidity as of June 30, 2022 and 2021, and December 31, 2021, 2020 and 2019. Automotive Net Cash Flow, Automotive Net Cash Flow Margin and Automotive Net Liquidity are APMs and should not be considered as alternatives to the equivalent IFRS financial measures. See "*2.9 Non IFRS Financial Measures (Alternative Performance Measures)*" for more detail on Net Cash Flow, Automotive Net Cash Flow Margin and Automotive Net Liquidity.

The following table sets forth an explanation of Automotive Net Cash Flow for the reporting periods indicated and Automotive Net Liquidity as of the reporting dates indicated with reference to Automotive EBITDA.

	For the Six Months Ended and as of June 30,		For the Year Ended and as of December 31,		
	2022	2021	2021	2020	2019
			(unaudited) *(EUR million)*		
Automotive Net Liquidity at beginning of period	**4,970**	**2,961**	**2,961**	**1,785**	**2,306**
Automotive EBITDA	**4,341**	**3,854**	**7,420**	**6,391**	**6,318**
Change in Automotive Trade Working Capital[1]	634	899	(32)	(976)	(712)
Change in Automotive other working capital (including other provisions)[2]	130	33	377	(594)	129
Automotive income taxes paid	(1,106)	(1,057)	(1,516)	(814)	(1,320)
Automotive financial result	208	170	498	224	222
Change in Automotive pension provisions	181	231	467	490	415
Other cash flows from Automotive operating activities[3]	(221)	(67)	(204)	180	(568)
Automotive Capital Expenditure	(427)	(545)	(1,378)	(1,478)	(1,992)
Additions to capitalized development costs	(985)	(784)	(1,601)	(1,225)	(949)
Other cash flows from investing activities of current Automotive operations[4]	(365)	(133)	(356)	0	(52)
Automotive Net Cash Flow	2,389	2,601	3,676	2,198	1,491
Capital contributions and profit transfer and dividends	(1,607)	(1,610)	(1,393)	(774)	(1,021)
Other changes in Automotive Net Liquidity[5]	(156)	(63)	(274)	(248)	(991)[6]
Total Change in Automotive Net Liquidity as of June 30/December 31	**627**	**928**	**2,009**	**1,176**	**(521)**
Automotive Net Liquidity at end of period	**5,597**[7]	**3,890**	**4,970**	**2,961**	**1,785**

Notes:

(1) Change in Automotive Trade Working Capital comprises changes in Automotive inventories, trade receivables and trade payables.

(2) Change in Automotive other working capital (including other provisions) comprises changes in Automotive inventories, receivables, liabilities and other provisions, excluding change in Automotive Trade Working Capital.

(3) Other cash flows from Automotive operating activities includes depreciation, amortization and impairment losses, gain/loss on disposal of non-current assets, share of profit or loss of equity-accounted investments and other non-cash expense/income, in particular from the fair value measurement of financial instruments. 2019 also includes the amount of the EUR 535 million penalty notice issued by the public prosecutor's office in Stuttgart and paid by the Company in 2019 related to the diesel issue.

(4) Other cash flows from investing activities of current Automotive operations includes change in equity investments and cash received from disposal of intangible assets and property, plant and equipment.

(5) Other changes in Automotive Net Liquidity includes changes in lease liabilities in accordance with IFRS 16, changes in the composition of the Group, and foreign exchange differences on the translation of foreign operations and lease liabilities as well as other net liquidity impacts with non-cash flow movements.

(6) Includes first time recognition of lease liabilities in accordance with IFRS 16.

(7) Automotive cash and cash equivalents include EUR 1,501 million of cash and cash equivalents that are classified as assets held for distribution as of June 30, 2022.

H1 2022 compared to H1 2021

Automotive Net Cash Flow decreased by EUR 211 million, or 8%, to EUR 2,389 million in H1 2022 from EUR 2,601 million in H1 2021. Higher Automotive EBITDA was more than offset by a reduction in cash inflows from changes in Automotive Trade Working Capital mainly related to inventories as well as higher cash outflows due to additions to capitalized development costs and an increase in other cash outflows from investing activities of current Automotive operations. Automotive Net Cash Flow Margin decreased to 14.5% in H1 2022 compared to 17.2% in H1 2021.

2021 compared to 2020

Automotive Net Cash Flow increased by EUR 1,478 million, or 67%, to EUR 3,676 million in 2021 from EUR 2,198 million in 2020. The increase was primarily driven by the increase in Automotive EBITDA in 2021 despite higher fixed costs, which the Group considers to be comprised of manufacturing overhead costs, indirect distribution costs (including marketing) and administrative costs (human resources, finance, procurement, IT). The increase in Automotive Net Cash Flow was also supported by positive movements in change in Automotive other working capital (including other provisions) due to higher warranty provisions, which increased in line with volume growth and sales of the new Taycan. Automotive Net Cash Flow Margin improved to 12.1% in 2021 compared to 8.4% in 2020.

2020 compared to 2019

Automotive Net Cash Flow increased by EUR 707 million, or 47%, to EUR 2,198 million in 2020 from EUR 1,491 million in 2019. The increase was primarily driven by a reduction in Automotive income taxes paid and Automotive Capital Expenditure, partially offset by negative movements in change in Automotive other working capital (including other provisions) related to the one-off effect of a change in the Group's calculation of warranty provisions. Automotive Net Cash Flow Margin improved to 8.4% in 2020 compared to 5.7% in 2019.

10.11.2.5 *Automotive Trade Working Capital*

Set forth below is Automotive Trade Working Capital as of June 30, 2022 and December 31, 2021, 2020 and 2019. Automotive Trade Working Capital is the sum of the closing balances of Automotive inventories and Automotive trade receivables minus the closing balance of Automotive trade payables (based on the consolidated statement of financial position). The Group actively manages all components of its working capital and carefully assesses how to improve its levels of inventories, receivables, and payables. Automotive Trade Working Capital is an APM and should not be considered as an alternative to the equivalent IFRS financial measure. See "*2.9 Non IFRS Financial Measures* (*Alternative Performance Measures*)" for more detail on Automotive Trade Working Capital.

Comparison of June 30, 2022 to December 31, 2021

Automotive Trade Working Capital decreased by EUR 208 million, or 6%, to EUR 3,249 million as of June 30, 2022 from EUR 3,457 million as of December 31, 2021. The developments in Automotive Trade Working Capital between June 30, 2022 and December 31, 2021 primarily resulted from an increase in Automotive trade payables to EUR 3,040 million as of June 30, 2022 from EUR 2,319 million as of December 31, 2021 as well as a decrease in Automotive trade receivables to EUR 1,086 million as of June 30, 2022 from EUR 1,296 million as of December 31, 2021. These developments were partially offset by an increase in Automotive inventories. Automotive inventories increased in H1 2021 as a result of shipping delays caused by lockdowns imposed in response to a resurgence of the Covid-19 pandemic in China and other markets as well as ongoing supply chain- and logistics-related challenges. The Group's Automotive inventory position is primarily determined by the logistic times from Germany to other markets because the majority of the Group's vehicles are produced in Germany and then transported to the markets in which they are sold. There are also higher inventory days for markets with their own wholesalers. Cars for the Chinese market, for example, are not de-recognized from inventories on the Company's statement of financial position until they have been offloaded from the ship and loaded into trucks.

Comparison December 31, 2021 to December 31, 2020

Automotive Trade Working Capital increased by EUR 514 million, or 18%, to EUR 3,457 million as of December 31, 2021 from EUR 2,943 million as of December 31, 2020. The increase was primarily driven by an increase in Automotive inventories to EUR 4,480 million as of December 31, 2021 from EUR 4,068 million as of December 31, 2020 and Automotive trade receivables to EUR 1,296 million as of December, 31 2021 from EUR 1,106 million as of December 31, 2020. These increases were partially offset by an increase in Automotive trade payables to EUR 2,319 million as of December 31, 2021 from EUR 2,231 million as of December 31, 2020. The developments in Automotive Trade Working Capital between December 31, 2021 and

December 31, 2020 primarily resulted from supply chain constraints largely driven by the semiconductor shortage, which impacted Automotive inventories by increasing logistics times from Germany to other markets.

Comparison of December 31, 2020 compared to December 31, 2019

Automotive Trade Working Capital increased by EUR 680 million, or 30%, to EUR 2,943 million as of December 31, 2020 from EUR 2,263 million as of December 31, 2019. The increase was primarily driven by an increase in Automotive trade receivables to EUR 1,106 million as of December 31, 2020 from EUR 858 million as of December 31, 2019. Automotive inventories remained largely constant at EUR 4,068 million as of December 31, 2020 compared to EUR 3,960 million as of December 31, 2019 with an offsetting movement in Automotive trade payables which were EUR 2,231 million as of December 31, 2020 compared to EUR 2,555 million as of December 31, 2019. The developments in Automotive Trade Working Capital between December 31, 2020 and December 31, 2019 primarily resulted from the impact of the Covid-19 pandemic on receivable collection.

10.11.3 Capital Expenditure

10.11.3.1 *Historical Capital Expenditure*

The Group defines capital expenditure as Group additions (cost) to intangible assets (excluding capitalized development costs) and to property, plant and equipment (excluding right-of-use assets) ("**Capital Expenditure**"). A significant majority of the Group's Capital Expenditure relates to the Automotive Segment ("**Automotive Capital Expenditure**"). Capital Expenditure and Automotive Capital Expenditure are APMs and should not be considered as alternatives to the equivalent IFRS financial measures. See "*2.9 Non IFRS Financial Measures* (*Alternative Performance Measures*)" for more detail on Capital Expenditure and Automotive Capital Expenditure.

H1 2022 compared to H1 2021

The Group's Capital Expenditure decreased by EUR 100 million, or 18%, from EUR 556 million in H1 2021 to EUR 456 million in H1 2022. The decrease was primarily driven by property, plant and equipment. Automotive Capital Expenditure decreased to EUR 427 million in H1 2022 from EUR 545 million in H1 2021 driven by plant, property and equipment.

2021 compared to 2020

The Group's Capital Expenditure decreased by EUR 105 million, or 7%, from EUR 1,547 million in 2020 to EUR 1,442 million in 2021. The marginal decrease was primarily driven by a decrease in Automotive Capital Expenditure, which decreased to EUR 1,378 million in 2021 from EUR 1,478 million in 2020 driven by a partial decrease in investments in property, plant and equipment as investment normalized due to lower construction projects for new models, including, among others, the Taycan.

2020 compared to 2019

The Group's Capital Expenditure decreased by EUR 497 million, or 24%, from EUR 2,044 million in 2019 to EUR 1,547 million in 2020. The decrease was primarily driven by a decrease in Automotive Capital Expenditure, which decreased to EUR 1,478 million in 2020 from EUR 1,992 million in 2019, driven by significant expenditure on new models and redesigns in 2019, particularly in preparation for the launch of the Taycan. This included investments in the new Taycan factory.

10.11.3.2 *Ongoing and Planned Capital Expenditure*

The Group's ongoing and planned material Capital Expenditure is concentrated in Germany and Slovakia, where most of the Group's vehicles are produced. This Capital Expenditure primarily comprises investments in the Group's manufacturing facilities and research and development centers in order to prepare such facilities and centers for the launch of BEV versions of the Group's existing model families as well as e-mobility product offerings. The Group does not expect to need to construct a new manufacturing facility for its envisaged model plan.

In Germany, the Group's ongoing or planned material Capital Expenditure as of the date of this Prospectus includes:

Stuttgart-Zuffenhausen manufacturing facility: The Group is currently investing in its Stuttgart-Zuffenhausen manufacturing facility in preparation for the launch of the BEV version of its 718 Boxster and Cayman model line as well as the redesigns of its Taycan and 911 model lines.

Porsche Research & Development Center in Weissach: The Group is investing and plans to continue to invest in its model testing facilities at the Porsche Research and Development Center in Weissach in order to further support the electrification of its portfolio, as it pursues its ambition for over 50% of new vehicles delivered to be Electrified Vehicles in 2025 and over 80% of new vehicles delivered to be BEVs in 2030, and digitalization initiatives.

Leipzig manufacturing facility: The Group plans to invest in preparing its Leipzig manufacturing facility for the launch of the BEV version of its Macan model line. In subsequent years, the Group's focus will be on further developing the facility to manufacture the new all-electric luxury SUV model line.

In Slovakia, the Group's current ongoing or planned material Capital Expenditure as of the date of this Prospectus includes:

Horná Streda: The Group is pursuing plans to invest in a battery cell assembly facility to underpin the electrification of its portfolio.

Volkswagen Group Multi-Brand Production Facility in Bratislava: Over the medium-term, the Group plans to invest in preparing the facility for the new generation of the Cayenne model family.

The Group also expects to incur moderate Capital Expenditure related to intangible assets (excluding capitalized development costs) related to Group IT and CO_2 certificates.

The Group plans to fund its ongoing and planned capital expenditures primarily through operating cash flows and, if required, through external financing.

For information regarding the Group's planned investments in research and development, please see "*10.6.9 Research and Development Costs*" above. The Group's management considers the Group's capital expenditure and research and development costs separately for the purposes of analyzing performance and business planning.

10.11.4 Off-Balance Sheet Arrangements

Other than certain commitments in terms of contingent liabilities and other financial obligations that the Group is required to provide as part of its operations, the Group has no material off-balance sheet arrangements. See "*10.12.2 Contingent Liabilities and Other Financial Obligations*" below for more information on these commitments.

10.11.5 Pensions and Post-Retirement Benefits

The Group operates various defined benefit pension plans and similar long-term employee benefit plans. The vast majority of the obligations under these defined benefit plans relate to the Group's subsidiaries in Germany. Most of the plans, in particular those in Germany, are unfunded as of the date of this Prospectus. Instead, provisions reflecting the liabilities under these unfunded plans have been made in the consolidated statement of financial position and benefits are to be paid out of the Group's cash-flow when falling due. The Group intends to opportunistically reduce its pension liability by funding up to approximately 60% to 70% of its net defined benefit obligation in the medium term, subject to market conditions. When the Group decides to fund these plans, such funding would have to be made from available assets or future cash flows.

The defined benefit obligation is accounted for based on actuarial valuations, which rely on statistical and other factors in order to anticipate future developments and depends, among other factors, upon the discount and inflation rate, longevity, actuarial profiles of the plan participants, salary and wage trends, benefit plan changes and their effectiveness, as well as the development of statutory and government regulations and rulings by labor courts in relation to the measurement of the obligations, the design of the plans and the plan administration. For more detail, see Note 25 to the 2021 Audited Consolidated Financial Statements.

The Group had total provisions for pension and similar obligations of EUR 3,649 million as of June 30, 2022, and EUR 5,525 million, EUR 5,932 million and EUR 5,438 million as of December 31, 2021, 2020 and 2019, respectively. As of June 30, 2022, the Group had deferred taxes of EUR 617 million relating to pension plan remeasurements recognized in other comprehensive income.

10.12 Non-Current and Current Financial Liabilities, Contingent Liabilities and Other Financial Obligations

10.12.1 Non-Current and Current Financial Liabilities

The following table sets out the Group's non-current and current financial liabilities as of the reporting dates presented.

	As of June 30, 2022	As of December 31, 2021	2020	2019
	(unaudited)	*(audited)* (EUR millions)		
Non-current				
ABS-refinancing/ABS bonds[1]	3,832	3,756	2,672	2,287
Debenture bonds	1,260	1,488	1,719	1,791
Liabilities to banks	345	399	404	467
Lease liabilities	987	956	873	830
Other financial liabilities	—	—	—	—
Non-current financial liabilities	**6,424**	**6,599**	**5,668**	**5,375**
Current				
ABS-refinancing/ABS bonds[1]	2,760	2,662	1,978	1,966
Debenture bonds	229	133	304	—
Liabilities to banks	229	221	283	190
Lease liabilities	111	107	91	80
Other financial liabilities	9	5	1	3
Current financial liabilities	**3,338**	**3,128**	**2,657**	**2,239**
Total financial liabilities	**9,762**	**9,727**	**8,325**	**7,614**

Note:

(1) Referred to as ABS-refinancing in the Unaudited Condensed Consolidated Interim Financial Statements and the Audited 2021 Consolidated Financial Statements. Referred to as ABS bonds in the Audited 2020 Consolidated Financial Statements and the Audited 2019 Consolidated Financial Statements. ABS refers to asset-backed securities transactions.

10.12.2 Contingent Liabilities and Other Financial Obligations

The Group had contingent liabilities of EUR 117 million as of June 30, 2022 mainly related to the recognition of additional legal and product-related matters. This compared to contingent liabilities mainly related to guarantees, warranties and other contingent liabilities of EUR 42 million, EUR 19 million and EUR 13 million as of December 31, 2021, 2020 and 2019, respectively. The EUR 75 million increase in contingent liabilities as of June 30, 2022 compared to December 31, 2021 was primarily a result of recognizing additional legal and product-related matters.

The Group had other financial obligations of EUR 3,850 million as of June 30, 2022, and EUR 2,855 million, EUR 1,951 million and EUR 1,970 million as of December 31, 2021, 2020 and 2019, respectively, related to purchase commitments in respect of property, plant and equipment and intangible assets, obligations from leasing and rental contracts and miscellaneous other financial obligations. The increase from December 31, 2021 to June 30, 2022 was primarily due to obligations arising from development, supply, and service agreements.

As of June 30, 2022, other financial obligations comprised purchase commitments in respect of property, plant and equipment (EUR 584 million) and intangible assets (EUR 2,303 million), obligations from irrevocable credit commitments to customers (EUR 54 million) and leasing and rental contracts (EUR 66 million) and miscellaneous other financial commitments (EUR 843 million).

10.13 Quantitative and Qualitative Disclosures about Financial Risk Management

10.13.1 Risk Management Principles

Due to the international activities in the Automotive and Financial Services segments, changes in exchange rates and interest rates affect the net assets, financial position and results of operations of the Group. These risks result in particular from foreign currency transactions in the course of ordinary operations, from financing and from financial investing activities. The risks are regularly monitored, reported and centrally managed using financial instruments. The primary aim of using financial instruments is to limit the financial risk exposures in order to ensure the Group's ability to continue as a going concern and its earnings power.

The principles and responsibilities for managing and controlling the risks that could arise from these financial instruments are defined by the Executive Board and monitored by the Supervisory Board. Internal guidelines exist within the Group that clearly define the risk management and control processes. These guidelines regulate, among other things, the use of financial instruments or derivatives and the requisite control procedures, such as a clear segregation of functions between trading and settlement. The treasury department identifies, analyzes and monitors risks Group-wide. The underlying guidelines and the supporting systems are checked regularly and brought into line with current market and product developments.

Derivative financial instruments are mainly used to control currency and interest rate risks. Currency risks from future sales revenue denominated in foreign currencies are hedged through the use of exchange rate hedging instruments for a period of up to five years. The main hedging instruments used are forward exchange transactions and currency options. The volume of exchange rate hedges is determined on the basis of the planned sales figures in the respective foreign currency, taking into account procurement volumes. The counterparties for the exchange/interest rate hedges are Volkswagen AG and major national and international financial institutions. Cooperation is subject to uniform regulations and continuous monitoring. The interest rate risk from variable-rate financing and the interest rate risk from refinancing the Financial Services segment are largely hedged through the use of suitable derivatives such as interest rate swaps.

Financial instruments are primarily used to reduce financial risks. However, the financial instruments used give rise to potential risks, such as counterparty risks and accounting risks. Channeling excess liquidity into investments also exposes the Group to counterparty risks. Partial or complete default by a counterparty would have a negative impact on the net assets, financial position and results of operations. In order to manage these risks, the Group has set out guidelines to ensure that transactions are concluded only in approved financial instruments, only with approved counterparties and only on the admissible scale. Accounting risks relating to the financial instruments entered into for hedging purposes also have to be analyzed. The risk of effects on the presentation of results of operations in the income statement is limited by means of hedge accounting.

Default risks in receivables are reduced by means of a strict receivables management system.

10.13.2 Risks

The Group is exposed to a range of risks, including credit and default risk, liquidity risk and market risk. For the Financial Services segment, market risk includes interest rate risk, currency risk and residual value risks. For the Automotive segment, market risk includes interest rate risk, currency risk, equity and bond price risks and commodity price risk. For a detailed description of the quantitative and qualitative disclosure on selected risks, see Note 35 to the Audited 2021 Consolidated Financial Statements.

10.14 Significant Accounting Estimates

For a detailed description of the Group's significant accounting judgements and estimates, see pages F-59 to F-62 of the Audited 2021 Consolidated Financial Statements.

10.15 Additional Information Regarding the Audited Unconsolidated Financial Statements

The Audited Unconsolidated Financial Statements of the Company were prepared in accordance with German generally accepted accounting principles of the HGB. For 2021, the Company's earnings after taxes were EUR 1,858 million and the total assets of the Company as of December 31, 2021 amounted to EUR 33,344 million. For further information on the Audited Unconsolidated Financial Statements, see pages F-416 to F-430 *et seq*.

11 INDUSTRY OVERVIEW

The market and industry data and forecasts and statements regarding the Group's position in the relevant market or market segment in this section are based on various market research and other publicly available information, as well as reports by independent industry sources. See "2.6 Sources of Market Data". Certain statements below are based on the Group's own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as the Group "believes", "expects", "considers" or "estimates", and as such do not purport to cite or summarize any third-party or independent source and should not be read this way.

11.1 Overview

Growth in the global personal luxury goods market has generally exceeded GDP growth every year since 2000 (source: Bain & Company December 2021). This positive growth trend is expected to continue, underpinned by (i) the rising numbers of HNWIs, (ii) the increasing participation of Millennials and Gen Z in the market, (iii) the growing number of HNWIs who are women, which increases the share of women participating in the market, and (iv) evolving luxury paradigm, with the increasing relevance of experiences, personalization, sustainability and brand strength.

The Group operates in the luxury automotive segment of the personal luxury goods market. As defined by McKinsey, the luxury automotive market is characterized by car models with a manufacturers' suggested retail price of $80,000 or more, which corresponded to 2% to 3% of the total automotive market in 2021 (source: McKinsey July 2022). The segment is characterized by high barriers to entry, with large participants having several advantages over new entrants and smaller participants, and competition being driven by brand strength, performance and innovation, among other things. The luxury automotive segment shares several characteristics with the broader personal luxury goods market, such as quality, aesthetics, rarity, exclusivity and a high degree of non-functional associations; all of which lead to the ability to command higher pricing compared to mass market goods within the same category.

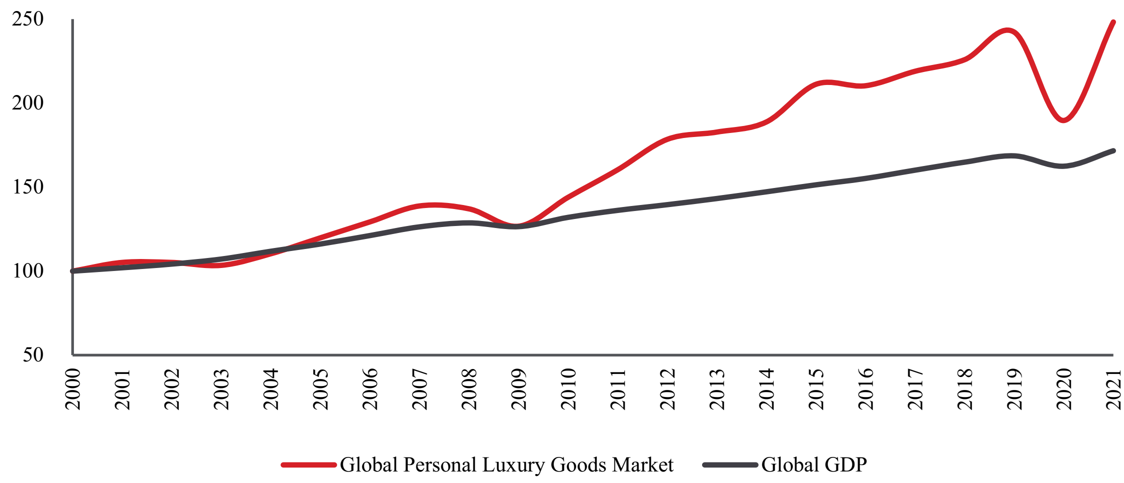
The Group believes that its primary target luxury market segments, including luxury two-door sports cars, SUVs and BEVs, are exhibiting attractive fundamentals. The Group also targets the luxury sports limousine market segment. According to S&P Global Mobility, the luxury two-door sports car and luxury SUV segments are expected to grow at CAGRs of 7% and 6%, respectively, in the period between 2021 and 2026, driven primarily by the factors described above. The BEV (including luxury and non-luxury) segments are expected to grow by 34% for the period between 2021 and 2026.

In addition, several other trends are shaping the luxury automotive segment, namely: (i) the increasing relevance of sustainability and electrification, driven by both regulators and consumers; (ii) the growing importance of advanced driver-assistance systems and autonomous driving; (iii) connectivity, digitalization and other new technologies, which are creating new 'data-driven' business models; (iv) the increased relevance of financing, leasing and subscription models; and (v) other market dynamics, such as the impact of the semiconductors shortage and the Russia-Ukraine Conflict.

11.2 Personal Luxury Goods Market

Demand for personal luxury goods generally depends on consumers' net purchasing power, their confidence in future economic developments and changes in economic trends. While affected by global macroeconomic conditions, the personal luxury goods market is also impacted by several more specific factors, such as, in recent years, (i) the significant growth in the number of HNWIs, (ii) the increasing share of Millennials and Gen Z, and (iii) the rising number of women participating in the market, all of which the Group believes are also driving growth in the luxury automotive segment of the market. As illustrated by the chart below, this has led growth in the global personal luxury goods market to generally outperform global GDP growth since 2000 (source: Bain & Company December 2021).

Global Personal Luxury Goods Market vs. Global GDP (rebased to 100)



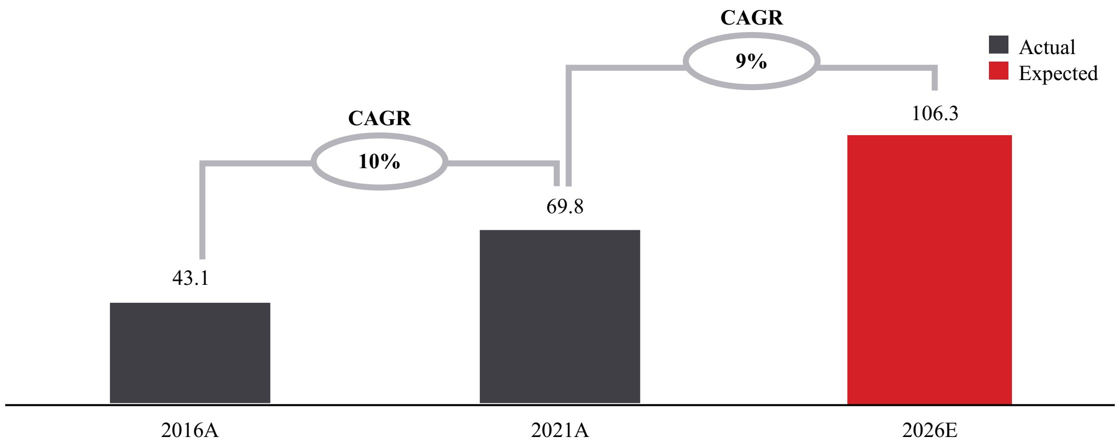
Source: Bain & Company December 2021 for Global Personal Luxury Goods Market and EIU for Global GDP.

11.2.1 *Growth in the Number of HNWIs*

The personal luxury goods market is directly affected by population wealth, and in particular, the number of HNWIs looking to purchase luxury products. Given the significant cost and high degree of customization offered in the luxury automotive segment, segment customers tend to be HNWIs.

According to Knight Frank, the number of HNWIs grew at a CAGR of 10% between 2016 and 2021 and is expected to grow by a CAGR of 9% between 2021 and 2026, resulting in the number of HNWIs more than doubling from 43.1 million in 2016 to 106.3 million in 2026. Global economic growth in 2021, supported by government stimulus packages, increased liquidity, low interest rates and stock market gains, alongside the widespread roll-out of Covid-19 vaccinations, further accelerated growth in the number of HNWIs. In particular, the tech sector in the United States fueled strong wealth performance, allowing it to maintain its leadership in wealth and HNWI growth (source: Capgemini June 2022). This trend is illustrated in the chart below.

Population of HNWIs (*million people*)



Source: Knight Frank January 2022

On a regional basis, between 2021 and 2026, Knight Frank projects that the number of HNWIs will grow at a CAGR of 10% in Asia-Pacific, Africa and the Middle East, 8% in Europe and 9% in the Americas, with growth in China and the United States projected to be 13% and 9%, respectively (source: Knight Frank January 2022).

11.2.2 *Increasing Millennials and Gen Z Market Share*

The changing demographics of participants in the personal luxury goods market are rapidly shaping market demand. In particular, there is an increasing proportion of younger consumers, Millennials and Gen Z, seeking out luxury goods (source: Deloitte December 2021). Millennials, defined as individuals born between 1980 and 1995, were identified as the age group most inclined towards ESG products (source: Capgemini June 2022). Similarly, participation by Gen Z, defined as individuals born between 1996 and 2012, is also likely to have a transformative impact on the market, with both generational groups likely to have a higher affiliation to digital services, strong digital literacy and confidence using digital tools and a higher degree of sustainability focus (source: Deloitte December 2021).

These trends are already being reflected in the luxury automotive segment. McKinsey research shows that China's luxury-car buyers, who are used to e-commerce platforms that offer innovations such as one-click purchases, want their cars to integrate seamlessly with local digital offerings and ecosystems (source: McKinsey July 2022). Also, according to McKinsey, consumers factoring sustainability into buying decisions helped drive EV sales globally up 43% in 2020 (source: McKinsey Quarterly April 2021). In 2021, the average age of the Group's new car buyers in China was under 40 (source: Company data).

11.2.3 *Increasing Participation of Women*

In addition, women comprise an increasing portion of HNWIs and this share is expected to continue to grow. Over the next two generations, women in all wealth brackets are anticipated to inherit 70% of global wealth. Additionally, it is likely that women will manage two-thirds of household wealth by 2030 (source: Capgemini June 2022). In China, for example, the proportion of the Group's customers who are women was 50% as of 2022, an increase of 3 percentage points from 47% in 2017 (source: Company data).

The growing economic power of women makes them an increasingly attractive demographic in the personal luxury goods market. The Group expects that the increased participation of women in the personal luxury goods market will drive additional demand, given the expansion in customer base and correspondingly higher household incomes.

11.2.4 *Evolving Luxury Paradigm*

As a result of and combined with these demographic trends, the Group believes that the luxury automotive market paradigm is evolving towards a greater focus placed on experiences, personalization, sustainability and brand strength. According to McKinsey, buyers are increasingly seeking seamless customer experiences that include simplicity, omnichannel reach, customization, and experiential diversity (source: McKinsey July 2022).

Personalization is expected to be a key driver of top-line growth for personal luxury goods, enabling brands to cultivate better relationships with customers and drive incremental revenue as well as incremental loyalty (source: McKinsey May 2020). In a recent survey of potential Chinese luxury-vehicle buyers (source: McKinsey July 2022), nearly 84% of respondents said that the ability to personalize their vehicle is important or very important, placing the ability for buyers to customize their cars ahead of a lengthy list of other features that includes connectivity service, driving performance, high-end interior design, battery range capacity, and autonomous-driving features. In addition, nearly 60% of these consumers say that they look for customized service throughout the buying process (source: McKinsey July 2022).

In addition, customers are increasingly demanding environmental sustainability, with positive ESG credentials becoming critical for HNWIs. Regionally, HNWIs in Europe, Latin America and Asia-Pacific (excluding Japan) are most interested in sustainability related products, which has driven demand for quantifiable ESG impacts (source: Capgemini June 2022). McKinsey research reveals an openness to EVs among affluent customers, who increasingly value sustainability. For instance, globally, more than 70% of current owners of premium and luxury ICE vehicles are willing to switch to EVs for their next vehicle purchase (source: McKinsey July 2022).

11.3 Sizeable Luxury Automotive Segment

11.3.1 *Overview*

According to McKinsey, the luxury automotive segment is comprised of car models with a manufacturers' suggested retail price higher than $80,000 (source: McKinsey July 2022).

The total automotive market in 2021 amounted to slightly over 75 million unit sales, of which approximately 1.5 million were considered luxury cars. Approximately 90% of vehicle units sold (approximately 1.4 million units) in the luxury segment in 2021 were within the $80,000 to $149,000 price tier. The chart below sets out the breakdown of the total automotive market in 2021 segmented based on price tiers (source: McKinsey July 2022).

Segmentation of luxury automotive market by vehicle price tiers

(1) Refers to non-luxury segment representing 97–98% of the global automotive market in 2021

Source: McKinsey & Company "Five trends shaping tomorrow's luxury-car market", July 2022

Vehicles within the luxury automotive segment are characterized by features and amenities not available on lower-priced models, including premium engines and transmissions, sound systems, sound insulation, safety features, telematics and premium body parts and components. Owners may also be entitled to additional services, such as longer warranties and vehicle pick-up and delivery for maintenance and repairs (source: Cars September 2020). Most established luxury automotive brands make distinctive claims, generally focused on individual luxury, performance, or both. They highlight uniqueness, exclusivity, prestige, craftsmanship, artistry, and the extraordinary, including traditional sports and luxury brand identifiers. To stand apart from legacy brands, some of which have existed for a hundred years or more, new participants typically focus heavily on the differentiating power of technology (source: McKinsey July 2022). In addition to traditional comfort, convenience, entertainment, and safety features, luxury cars are equipped with advanced connectivity elements, autonomous-driving options, and the latest powertrain electrification technologies (source: McKinsey July 2022).

The luxury automotive segment can also be sub-categorized based on class, bodytype, segment and propulsion system. According to S&P Global Mobility, these sub-categories are as set out below:

- ***Class: A, B, C, D, E, and F:*** Global size category to group vehicles. Sizes vary by segment and sub-segment combination, with A being the smallest and E being the largest. The F-segment groups all ultraluxury/exotic sports cars and limousines irrespective of their size.

- ***Bodytype:*** Convertible (rear glass does not articulate with rear bonnet/trunk; no fixed roof after the A-post; two or more seats), coupe (typically lower roofline silhouette with two elongated doors; in most cases, the rear glass does not articulate with the rear bonnet/trunk but only with glass frame), hatchback (typically upright silhouette; rear glass articulates with rear bonnet (trunk), mostly with the number plate housing; thick C/D-Pillar depending on number of doors), roadster (no fixed roof after the A-post; two seats only), sedan (rear glass does not articulate with rear bonnet; formal three-box silhouette; does not have open access to the passenger area), SUV (formal two-box silhouette; wheelbase-to-overall-height ratio greater than 60%; off-road style elements), and wagon (rear glass articulates with rear bonnet; window in C-Pillar after second door; formal roofline, between 80% to 90% cut at rear).

- ***Segment:*** Sports car (specific-build sports vehicle not spun off a car version) and SUV (Sport Utility Vehicle, including SUV, Crossover Utility Vehicle ("**CUV**") and Sport Activity Vehicle ("**SAV**").

- ***Propulsion system:*** ICE, Mild Hybrid Electric Vehicle ("**MHEV**"), PHEVs and BEV.

Vehicles with ICEs can be powered by gasoline, diesel or alternative fuels (*e.g.*, natural gas, propane, biodiesel or ethanol). The ignition and combustion (chemical process of releasing energy from a fuel and air mixture) of the fuel occurs within the engine itself (source: U.S. Office of Energy Efficiency and Renewable Energy November 2013).

MHEVs have both an ICE and an electric motor. The electric battery, however, is only charged by the ICE, the motion of the wheels or a combination of both. There is no charging connector and it cannot drive purely based on battery, meaning it will always use combustion engines alongside the battery (source: Sustainable Energy Authority of Ireland 2017).

PHEVs use an ICE and an electric motor. The battery's energy is recharged by the ICE, wheel motion, or by plugging into a charge point (source: Sustainable Energy Authority of Ireland 2017).

BEVs use battery as the sole means of energy storage for the propulsion of the vehicle. (source: Sustainable Energy Authority of Ireland 2017).

11.3.2 *Anticipated Growth in the Luxury Automotive Segment*

Where the mainstream automotive market has largely stagnated, with little to no growth expected through 2031, the luxury automotive segment is expected to grow during the same period. In addition, margins in the luxury automotive segment ranged in the double digits from 2016 to 2021, while the mass automotive market remained in the low single digits during the same period (source: McKinsey July 2022).

This growth is expected to be driven by the trends shaping the broader personal luxury goods market. According to McKinsey, the primary reason for the growth in the luxury-car segment is the continued increase of HNWIs and ultra-high-net-worth individuals (*i.e.*, individuals with more than USD 30.0 million in investable assets) (source: McKinsey July 2022). In addition, shifting market paradigms are expected to increase the number of customers seeking out product customization, experiences and highly reputable brands. Conditioned by their exposure to luxury-goods experiences in other retail environments, affluent consumers today seek continual engagement and personalized experiences when shopping for luxury cars (source: McKinsey July 2022).

McKinsey's research indicates that nearly 80% of luxury-vehicle customers are looking for a seamless, omnichannel experience, with consistent interactions across departments. They want OEMs to deliver frictionless, on-demand service, with 83% expecting immediate engagement when contacting a company. Nearly 70% of customers want new channels and new ways to obtain existing products and services (source: McKinsey July 2022). Data shows that as choices and channels increase, brand trustworthiness is more important to consumers than ever (source: McKinsey May 2020). Relatedly, the majority of luxury OEMs are looking to progress from the wholesale dealer network channel to direct-to-consumer ("**DTC**") or even retail ownership in order to enable them to own the customer experience from end to end, and fully personalize the customer relationship to ensure a seamless omnichannel journey (source: McKinsey July 2022). The Group expects demand for luxury and customization to increase as a greater number of HNWIs drives consumers to demand higher specifications and unique or personalized features to distinguish their vehicle from others.

McKinsey research suggests that growth in luxury car segments will vary by price band, with higher price brands seeing more growth. These trends are detailed below.

- **$80,000 to $149,000 tier**: Expected to experience heightened competition with the entry and expansion of new market challengers, which will help expand the size of the overall market, giving consumers more options across price points. Incumbents are expected to dominate the tier with timely product upgrades and new launches. For example, a leading German OEM in the $80,000 to $149,000 tier will likely launch up to five new products, helping the company maintain its market position (source: McKinsey July 2022).
- **$150,000 to $500,000 tier**: Luxury OEMs have announced more than 20 new models in this price tier, a sign of increasing competition. This number is expected to rise further as OEMs with less complex or smaller portfolios launch EV SUVs at the lower ends of this tier (source: McKinsey July 2022).
- $**500,000 and above tier**: This price tier is expected to experience strong growth. More than 10 new challengers have entered or are planning to enter the very top of the market (that is, with cars priced at more than USD 1.0 million), spanning China, Europe, Japan and the United States. The level of competitive intensity should grow significantly. Many of the offerings in this tier are fully or partially electrified, and given the price range, it is expected that each will be produced in relatively limited volumes. This newly crowded price tier has experienced a significant increase in product launches, from five in 2016 to 16 in 2021. Part of the reason, aside from the new participants entering the tier, involves the shift towards electrification, which has prompted both incumbents and challengers to produce EVs to remain competitive (source: McKinsey July 2022).

When plotting luxury-vehicle volumes and electrification rates, McKinsey presents two growth scenarios. McKinsey's baseline growth scenario assumes a continuation in growth of ultra high net worth individuals and

HNWIs of 5% and 9%, respectively, alongside continued battery technology improvements, decreasing battery prices, additional regulatory limits on ICE sales and increased availability of charging stations, among other factors. McKinsey's accelerated uptake scenario further assumes new model introductions between 2022 and 2025 pulled forward from the period from 2025 to 2031, with the additional introduction of lower prices and higher-volume SUV variants. Under this accelerated uptake scenario, BEVs are expected to be dominant across all luxury automotive segment tiers by 2031, but the degree of adoption is expected to vary based on price, with the $300,000 to $500,000 tier expected to see a greater share of EVs. The expected evolution by price tier is detailed below (source: McKinsey May 2022).

- In the **$80,000 to $149,000 tier,** EV penetration is expected to increase from approximately 4% in 2021 to between 20% and 25% in 2026 on the baseline growth scenario (between 35% and 40% on the accelerated uptake scenario) and between 40% and 50% in 2031 on the baseline growth scenario (between 65% and 75% on the accelerated uptake scenario) (source: McKinsey May 2022).
- In the **$150,000 to $299,000 tier**, EV penetration is expected to grow after a lag in the initial years due to supply constraints, achieving an increase from 2% in 2021 to between 15% and 20% in 2026 on the baseline growth scenario (between 27% and 32% on the accelerated uptake scenario) and between 45% and 55% in 2031 on the baseline growth scenario (between 70% and 80% on the accelerated uptake scenario) (source: McKinsey May 2022).
- In the **$300,000 to $500,000 tier**, EV penetration is expected to trail other price tiers with an estimated 13% to 17% penetration in 2026 on the baseline growth scenario (between 25% and 30% on the accelerated uptake scenario), rising to between 55% and 65% (between 80% and 90% on the accelerated uptake scenario) in 2031 on the baseline growth scenario (source: McKinsey May 2022).
- In the **$500,000 and above tier**, EV penetration is expected to resemble the $80,000 to $149,000 price tier until 2026, with an estimated 25% to 30% on the baseline growth scenario (between 35% and 40% on an accelerated uptake scenario). However, the long-term transition to EVs will be slower, as the ICE tier will remain a popular choice because of its discretionary and experiential value. EVs are expected to reach 35% to 40% penetration by 2031 on the baseline growth scenario (between 45% and 50% on an accelerated uptake scenario) (source: McKinsey May 2022).

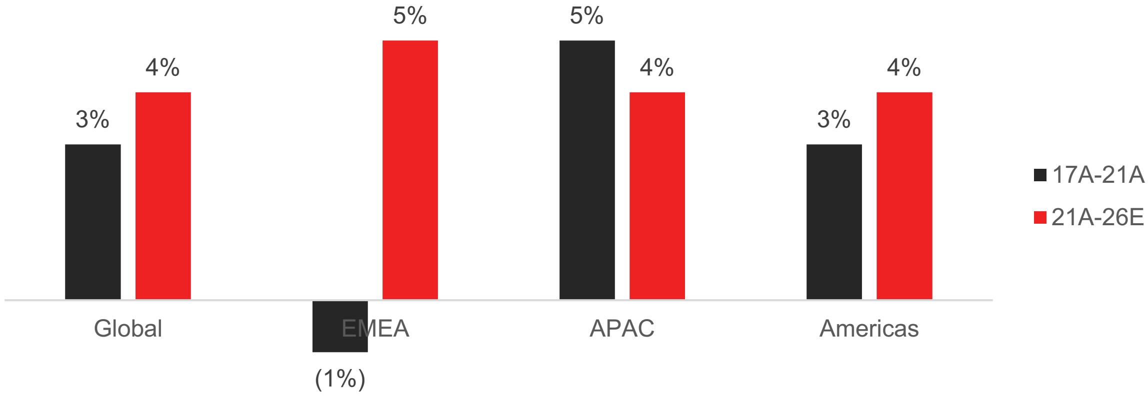
In addition to the positive growth outlook detailed above, McKinsey expects the luxury BEV segment to deliver 21% to 25% operating profit margins through 2031. Nevertheless, several risks could threaten these returns, such as currency shifts, supply-chain decarbonization efforts and other supply chain disruptions (source: McKinsey July 2022).

11.4 Sales Volume Trends in Luxury Segments

Within the luxury automotive segment, the Group primarily targets the two-door sports car, SUV, and BEV market segments, which it believes are exhibiting attractive fundamentals. The Group also targets the luxury sports limousine market segment. While McKinsey does not present sales volume growth within the luxury two-door sports car, luxury SUV and BEV market segments, S&P Global Mobility reports on sales volume trends in the luxury automotive segment, and these segments, which the Group believes highlights their potential for growth. Unlike McKinsey, S&P Global Mobility defines the luxury automotive segment with reference to brand positioning and product offering, which comprises a smaller section of the overall market than McKinsey's definition. The brands that comprise the luxury automotive segment as defined by S&P Global Mobility are set out in the graphic in "*11.5 Competitive Environment of Luxury Automotive Segment*".

From 2021 until 2026, S&P Global Mobility expects total sales volumes within the luxury automotive segment to grow at a CAGR of 4%, slightly above the CAGR between 2017 and 2021 (source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). Europe, Middle East and Africa ("**EMEA**"), the Americas and Asia-Pacific ("**APAC**") are all expected to grow at fairly similar CAGRs. The chart below sets out a breakdown of anticipated sales volume growth within the luxury automotive segment between 2017 and 2026 on a global and regional basis.

Luxury Automotive Sales Volume Growth Rate by Region (CAGR)



Source: S&P Global Mobility Light Vehicle Sales Forecast April 2022.

11.4.1 *Luxury two-door sports cars and Luxury SUVs*

Sales volumes in the luxury two-door sports car segment, as defined by S&P Global Mobility, are expected to grow at a CAGR of 7% between 2021 and 2026 (source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). S&P Global Mobility's definition of the luxury two-door sports car segment considers specific-build sports vehicles, including from brands not listed under S&P Global Mobility's definition of luxury and not spun off a car version that are relevant competitors to the 911 and 718.

SUVs have been popular in the global automotive market since the early 2000s because of their perceived safety, convenience, styling and practicality. Additionally, many wealthy buyers desire greater resilience given the broadening regional applicability of SUVs (source: McKinsey July 2022). According to a McKinsey survey, around 50% of premium- and luxury-car buyers favor SUVs for their next vehicle purchase (source: McKinsey July 2022).

Sales volumes in the luxury SUV segment are forecast to grow faster than the overall luxury automotive segment with S&P Global Mobility estimating a sales volume CAGR of 6% between 2021 and 2026 (source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). Sales volume growth in the segment is expected to be driven by the Americas and APAC, with expected sales volume CAGRs of 7% and 6% respectively. Between 2021 and 2026, sales volume in EMEA is expected to grow at a CAGR of 5%.

11.4.2 *BEVs*

The market segment for BEVs is the fastest growing of the three target market segments on the basis of sales volume. Sales volumes in the BEV segment increased at a CAGR of approximately 53% between 2017 and 2021, and are expected to grow at a CAGR of 34% from 2021 until 2026. In 2021, Mainland China represented approximately 60% of the market segment on a sales volume basis, followed by the European Union at 30%. Nonetheless, by 2026, S&P Global Mobility estimates that the United States will double its share of global sales volumes in the BEV segment from approximately 10% to 20% (source: S&P Global Mobility Light Vehicle Sales Based Powertrain Forecast March 2022). The significant sales volume growth in the overall BEV segment is expected to be driven by increasing customer and regulatory demand for vehicle electrification and sustainability.

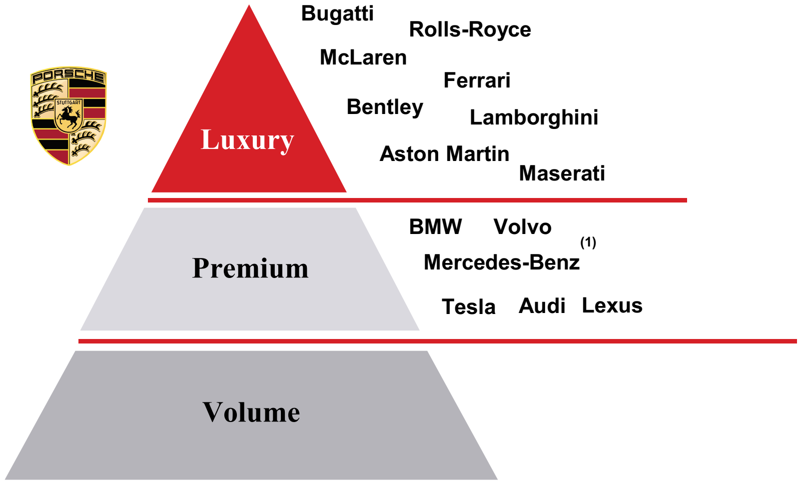
11.5 Competitive Environment of Luxury Automotive Segment

The luxury automotive segment is characterized by high barriers to entry, with large players having several advantages over new entrants and small players. Competition within the market is driven by, among others, the strength of brand, level of performance and innovation.

Larger automotive groups with a product offering in the luxury automotive segment typically have larger financial resources compared to small luxury automotive producers and therefore may have more flexibility in planning for product launches and capital spending over time. The challenge for new entrants and small players is further reinforced by the increasing relevance of omnichannel touch points, which itself requires investments to develop and increases the relevance of brand trustworthiness (source: McKinsey May 2020).

Competition in the luxury automotive segment is concentrated in a fairly small number of OEMs, including Porsche, Ferrari, Bentley, McLaren, Rolls-Royce, Lamborghini, Bugatti, Maserati and Aston Martin (source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). The following graphic sets out the competitive landscape of the luxury and premium automotive segments based on S&P Global Mobility. The premium automotive segment includes OEMs such as BMW, Volvo, Mercedes-Benz, Tesla, Audi and Lexus (source: S&P Global Mobility Light Vehicle Sales Forecast April 2022).

Porsche Market Positioning



(1) Excluding Mercedes-Benz Vans

Source: S&P Global Mobility Light Vehicle Sales Forecast April 2022. Release; aggregated global classification based on 2021 portfolio in production; overview presents a selection of relevant brands within the luxury / premium segments

Competition in the luxury automotive segment is driven by strength of brand and product appeal (in terms of performance, styling, novelty and innovation) as well as by manufacturers' ability to renew their product offerings regularly in order to continue to stimulate customer demand. Competition among similarly positioned luxury OEMs is also driven by price and total cost of ownership ("**TCO**"). The Company believes that the value resilience of its automotives after a period of ownership is an important competitive factor because it decreases the TCO for its clients and promotes repeat purchases.

11.6 Key Trends in the Luxury Automotive Segment

The Company believes that the following trends are shaping the luxury automotive segment.

11.6.1 *Sustainability and Electrification*

The electric vehicle landscape is rapidly changing as both technology and interest evolve and coming years will see many more EVs take to the roads. In the U.S., sales of electric vehicles have climbed by more than 40% each year since 2016. By 2035, the largest automotive markets will be fully electric, providing both a glimpse of a green future and significant economic opportunity (source: McKinsey April 2022).

The COVID-19 pandemic has accelerated the development and sale of EVs while connectivity, digitalization and other new technologies are creating new 'data-driven' business models resulting in 2020 becoming a 'tipping point' in the adoption of EVs. From a broader EU perspective, electrification and smart and shared mobility represent major strides towards environmental sustainability and efficient transportation (source: Policy Department for Economic, Scientific and Quality of Life Policies October 2021).

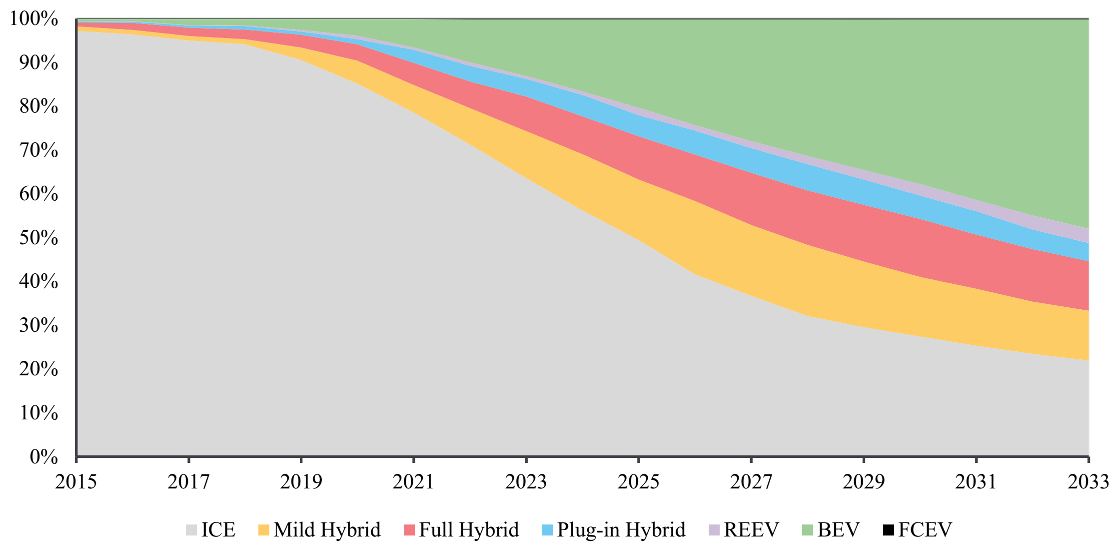
Regulators worldwide are increasingly setting stringent decarbonization requirements, including through the rapid promulgation of regulations and incentives to accelerate the shift to sustainable mobility. In June of 2021, the European Parliament voted on the EU Climate Law to make Europe the first carbon-neutral continent by 2050. Similarly, in the United States, the EPA has promulgated revised GHG emissions regulations requiring passenger vehicles and trucks to reduce GHG emissions by 27.1% (passenger cars) and 28.3% (light duty trucks including large crossovers and SUVs) respectively, by 2026. In China, the Group's single largest market, regulations are similarly strict and becoming more so, with carbon neutrality a stated target of its current government. At the 2021 UN General Assembly, China's President committed China to carbon neutrality by 2060. For more information, see "*1.3.1 New, existing or changes to existing vehicle emissions and climate change related laws and regulations could result in substantial costs for the Group and have a significant effect on how the Group operates its business, and the Group may not be able to develop commercially viable* *vehicles that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products*" and "*13 Regulatory Environment*".

Sustainability targets are one of the main drivers of alternative powertrains. A key example are BEVs, which store electricity for use, and avoid smog-forming or climate-changing pollution released from the tailpipe. In addition, BEVs typically consume less energy for traction than comparable ICE engines by utilizing electric drives and recovering energy from regenerative braking. Batteries are highly efficient in energy conversion, with tank-to-wheel efficiencies ranging from 75% to 85% compared to 40% to 45% for combustion engines. At the well-to-wheel level (performance across the entire value chain, from energy / fuel production to processing, distribution and use) BEVs' efficiency is also affected by where the traditional renewable energy is produced (as longer transmission lines imply higher losses) and whether fast charging is used (source: McKinsey June 2021).

In terms of impact on TCO, BEVs allow for lower repair and maintenance spending and lower energy cost (due to greater efficiency and no use of oil). However, BEVs' acquisition costs remain high compared to traditional ICE vehicles. As a result, the TCO of ICE vehicles is generally lower, and thus more attractive to prospective buyers. This is expected to change with the ongoing development of technology, GHG emission fees and subsidies, with parity in TCO expected from 2025 onwards (source: broker report). As customers focus on managing and reducing their costs, they are expected to upgrade their vehicle line-up with electric vehicles if there is upfront cost parity with conventional ICE vehicles or there is an acceptable breakeven point in terms of TCO (source: broker report).

By the mid-2030s, BEVs are expected to become the dominant form of propulsion, reaching close to 50% market share in 2034. Most premium and luxury OEMs have communicated clear strategies to shift to BEV by the mid-2030s (source: S&P Global Mobility Light Vehicle Powertrain and Alternative Propulsion Production Forecast April 2022). The below chart shows the global Propulsion System Design ("**PSD**") evolution for all automotive segments.

Global PSD Evolution, All Automotive Segments



Source: S&P Global Mobility Light Vehicle Powertrain and Alternative Propulsion Production Forecast April 2022

11.6.2 *Autonomous Driving*

In the past few years, autonomous driving ("**AD**") has generated sizable interest. Despite some early setbacks, there have been some important success cases involving vehicles with AD capabilities, and they represent a significant opportunity to transform mobility. Road safety would increase as AD systems reduce collisions caused by human error, and drivers would have more time to relax in vehicles rather than focus on the road. Many companies recognize AD's enormous potential and are forging ahead. But in addition to technological hurdles, there are uncertainties related to the regulatory requirements that will be established and customers' willingness to pay. These could affect both the availability and adoption of AD features (source: McKinsey December 2020).

The Society of Automotive Engineers has established levels ranging from 0 (no automation) to 5 (full automation) to describe the capabilities of automated driving. Lower automation levels (1 and 2) include capabilities such as advanced driver assistance systems ("**ADAS**") that can steer, accelerate and brake (cruise control), with systems that usually use cameras and radar sensors. Nonetheless, drivers must typically have their hands on the steering wheel. Level 3, which is currently being tested by several OEMs, includes LiDAR sensors and enhanced sensor fusion, which combines sensor data from several sources to reduce uncertainty. The highest levels (4 and 5) allow vehicles to operate safely in emergencies without the need for drivers to assume control on a short notice, allowing them to take their eyes off the road to engage in more extensive side activities (source: McKinsey December 2020).

Customer adoption will also depend largely on the cost of vehicles since AD features will probably remain expensive. The high prices suggest that AD features will be introduced in a top-down cascade, starting with large and more expensive vehicles and moving down over time to the mass market and low-cost segments (source: McKinsey December 2020).

AD features comprise both Hardware and Software. Hardware development includes sensing technologies and actuation, as well as high-performance computing. Software will be a long-term control point for autonomous driving. When creating software, developers will face most challenges when trying to handle "edge" cases, which are situations that occur in very rare circumstances. As AD becomes more complex over time, such as the ability to drive at high speeds or in urban settings or in extreme weather, software will need to cover more edge cases (source: McKinsey December 2021).

As autonomous vehicle services roll out and scale, the pace and nature of that transition has significant implications across the mobility value chain. Mobility participants that have already experienced disruption, such as electrification, should consider localized mobility contexts, in addition to the evolution of autonomous-driving technology, in their assessment of autonomous mobility (source: McKinsey January 2022).

11.6.3 *Technology and Connectivity*

In the luxury automotive segment, state-of-the-art R&D and innovation capabilities are increasingly necessary to meet changing technological and sustainability requirements. Accordingly, OEMs must remain competitive with their digital solutions, ability to offer data-driven value-added services and differentiated technology (source: McKinsey July 2022).

Typical aftermarket services, which now primarily involve selling spare parts, will likely expand toward direct, digital interactions with customers to provide services including updates to connected vehicles. New vehicles could also present novel revenue opportunities throughout the life cycle (source: McKinsey July 2022).

Connected vehicles are equipped with data aggregating sensors that enable vehicles to generate data about the vehicle, connect with third-party devices inside and outside the vehicles and share this data for further analysis. Vehicles equipped with connectivity solutions provide tangible benefits to both owners and OEMs including R&D hardware optimization (*e.g.*, adjusting vehicle specifications based on real time data and prioritizing / deprioritizing features) and creating additional profit pools for OEMs (*e.g.*, predictive maintenance which can direct higher repair traffic to the OEM's own repair network) while owners benefit from smarter maintenance management (*e.g.*, predictive maintenance) (source: McKinsey Center for Future Mobility September 2021).

11.6.4 *Leasing, Financing and Subscription*

As EVs are typically more expensive than comparable ICE vehicles, increased EV sales are also expected to drive increased demand for financing and leasing arrangements, including financing contracts for EV batteries and at-home charging equipment. Leasing is also expected to be higher with EVs as compared to ICE vehicles until confidence in EV batteries further increases. With a greater number of financing and leasing arrangements expected for EVs, consumers may also be more willing to add complimentary finance and insurance products, such as extended service contracts, personalized electronics and battery-maintenance plans (source: McKinsey September 2021).

The emerging subscription business, one of the automotive industry's fastest-growing segments, is altering market dynamics. Industry participants that aim to stimulate long-term growth are increasingly exploring this model due to high consumer interest (source: McKinsey November 2020). Subscriptions share some characteristics with rentals and leasing. In a subscription model, the consumer pays a regular fee (*e.g.*, monthly) and has access to a specified quantity of the product or features for a pre-defined period, generally with a minimum commitment. The commitment period varies from one to several months or in yearly increments from one to two years or more. Typically, the longer the commitment, the lower the fee (source: Deloitte March 2022).

Traditional vehicle service contracts that focus coverage on an abundance of mechanical components might not appeal to customers, since EVs require less hardware than a comparable ICE vehicle. To capture new opportunities, OEMs are looking at OTA feature updates and connected-services. Software subscription services enable people to pay for programs that unlock features from heated seating to full self-driving capabilities and OTA updates. Beyond generating recurring revenues, these services allow OEMs to develop an ongoing relationship with consumers while offering them additional convenience and customization, which may increase brand loyalty (source: McKinsey May 2020). McKinsey research shows that more than 70% of Chinese customers would prefer to access post-purchase upgrades through subscriptions or pay-per-use plans (source: McKinsey July 2022).

11.6.5 *Other Market Trends*

A key development in battery sourcing involves the backward integration of OEMs from packs and modules up to cell production—mostly in the form of joint ventures with cell manufacturers. OEM backward integration plans result from their growing battery cell demand, the desire for control and certainty of supply and the ambition to keep a significant part of vehicle value creation in-house (source: McKinsey September 2021).

The automotive industry has been affected by the ongoing global semiconductor shortage, which has significantly increased demand for microchips and other electrical components on which the industry is reliant. Factory shutdowns at major global semiconductor production sites due to the Covid-19 pandemic, followed by surges in demand as economies began to recover in 2021, combined with longer-term trends, such as an increase in competition between the automotive sector and other rapidly growing industries for semiconductor manufacturing capacity and structural issues within the semiconductor supplier landscape, have further exacerbated the shortage (source: broker report).

In the wake of the Russia-Ukraine Conflict, a significant part of the overall impact on automakers will likely materialize via rising prices for commodities and energy. Russia is a major producer of base metals and alloys such as aluminum and steel, which constitute the majority of raw material costs for new cars. There has already been a spike in spot prices for such commodities. Additionally, higher crude oil and natural gas prices would raise electricity costs, and this would add on to automakers' manufacturing costs, as well as raise aluminum prices further, as the metal is produced by an energy intensive process. Automakers with high sales exposure to markets where auto demand is strong, will find it easier to pass higher manufacturing costs to car buyers. It is also easier to hike prices for high-priced automotives, where input costs account for a smaller proportion of the price, and buyers are less likely to be price sensitive (source: broker report).

Crude oil prices and petroleum prices could increase further if hostilities are prolonged, and the United States and European Union widen the scope of their economic sanctions on Russia as a result. In the automotive industry historically, sales of fuel-efficient vehicles (especially strong hybrids) have tended to increase with rising oil prices (source: broker report).

In addition, production facilities in Ukraine account for a sizeable percentage of wire harness output for the European market. As a result of the ongoing conflict, it is likely that some companies will shift production of parts such as wire harnesses, switches and other products made in Ukraine to alternative locations. These are relatively low-tech (but labor-intensive) products and require low capital investment compared to semiconductor chips. (source: broker report). In addition, Ukraine supplies approximately 25% to 35% of the world's purified neon gas, which is vital for semiconductor production (source: McKinsey July 2022).

12 BUSINESS

12.1 Overview

Porsche is one of the world's most successful luxury automotive manufacturers (based on 2021 unit sales in the global luxury automotive segment; source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). Porsche believes that its iconic brand is synonymous with design and engineering heritage, racing legacy, performance, modern and sustainable luxury, prestige, innovation, technological achievement and reliability. Since the introduction in 1948 of the Porsche Type 356, the first official Porsche sports car, the Porsche brand has achieved numerous milestones: the introduction of perhaps the most iconic sports car of all time, the Porsche 911 (then referred to as the Porsche 901), in 1963, as well as the launch of the Porsche flat-six engine series; its first overall victory in the 24 Hours of Le Mans in 1970 with the Porsche 917 and a record 19 overall Le Mans victories; the launches of the Boxster in 1996, the Cayenne in 2002, the Panamera in 2009 and the Macan in 2013 and the debut of Porsche's first series production BEV, the Taycan, in 2019, among many others. Today, Porsche honors this legacy with an ambitious technological drive to reduce the impact of its vehicles and its operations on the environment while remaining committed to the famous words of Ferry Porsche: "The last car that will ever be built will be a sports car".

Porsche sells cars in around 120 countries worldwide across a network of more than 900 Porsche Centers as of June of 2022. Porsche's core product portfolio of passenger cars includes six model families: the 911, the Taycan, the Macan, the Cayenne, the Panamera and the 718. Across these model families, the Group made 145,860 Deliveries in H1 2022 (of which Germany, Europe without Germany, North America, China and Rest of the World constituted 9%, 20%, 26%, 28% and 16%, respectively) and made 301,915 Deliveries in 2021 (of which Germany, Europe without Germany, North America, China and Rest of the World constituted 10%, 19%, 26%, 32% and 13%, respectively). In addition to its core product portfolio, Porsche offers vehicle leasing and financing, flexible mobility solutions and various aftersales products and services, and Porsche Motorsport participates in and designs and produces powertrains and cars for use in various racing competitions.

Porsche's headquarters and principal manufacturing facilities are located in Stuttgart-Zuffenhausen. The Group's Stuttgart-Zuffenhausen manufacturing facilities produce the Taycan, 911 and 718, along with Porsche Motorsport vehicles. Stuttgart-Zuffenhausen is also the seat of the majority of the Group's management team and home to the Group's quality management, logistics and other departments as well as the Porsche Museum. The Group also maintains manufacturing facilities in Leipzig, Germany, where the Macan and Panamera are produced, and produces Cayenne models at the Volkswagen Group's multi-brand site in Bratislava, Slovakia. As a result of high demand for Group vehicles and the complexity of preparing the Stuttgart-Zuffenhausen plant for upcoming BEV models of the 718, remaining ICE 718 models are planned to be produced by the Group at the Volkswagen Group's multi-brand production facility in Osnabrück, Germany, starting from the middle of 2023. Weissach, Germany, hosts the Porsche Research and Development Center, where Porsche vehicles are developed from first sketch to series production. The Group has other facilities in Germany focused on non-production Group activities, including in the Financial Services segment, and assembles a Cayenne model at a third-party assembly facility in Kulim District, Kedha, Malaysia, which is the first assembly facility utilized by Porsche located outside of Europe. As of June 30, 2022, the Group had a total of 37,655 employees (headcount).

Porsche fully embraces its responsibility to promote sustainable activity, both in its vehicles and its operations. Electrification is at the heart of the Group's strategy, with almost 25% of Deliveries worldwide in 2021 being Electrified Vehicles, with BEVs (*i.e.*, Taycan models) alone constituting 14% of Deliveries worldwide in 2021, and approximately 40% of Deliveries in Europe in 2021 being Electrified Vehicles. The Group's ambition is that, in 2025, over 50% of new vehicles delivered will be Electrified Vehicles and, in 2030, over 80% of new vehicles delivered will be BEVs. The Group intends to achieve this ambition through its sales of the Taycan, the upcoming Macan BEV and transitioning 718 models to BEVs, among other product initiatives. The Group also hopes to move into the manufacturing of high-performance battery cells via the Cellforce joint venture and is working on expanding charging infrastructure in various jurisdictions, including through the development of a proprietary Porsche charging network in Europe. Operationally, the Group is working towards a net carbon neutral value chain in 2030. The Group already achieved net carbon neutral status for its Stuttgart-Zuffenhausen manufacturing plant in 2020 and its Weissach and Leipzig sites in 2021.

Porsche has exhibited a strong financial track record and is committed to maintaining and building on its historical performance. Despite notable challenges confronting the global automotive industry in recent years, including the ongoing impacts of the Covid-19 pandemic and government measures to contain and overcome it, as well as global semiconductor shortages, the Group has grown its sales revenue annually to EUR 33,138 million in 2021 from EUR 28,518 million in 2019, representing a CAGR of 8%, a trend which has continued in H1 2022, in which the Group recorded sales revenue of EUR 17,922 million, despite the Russia-Ukraine Conflict, energy price increases, ongoing supply chain disruptions and other challenges, as compared to EUR 16,525 million in H1 2021. The Group's operating profit for H1 2022 was EUR 3,480 million and for H1 2021 was EUR 2,792 million, translating into a Return on Sales of 19.4% and 16.9%, respectively. In 2021, the Group achieved an Automotive Net Cash Flow of EUR 3,676 million, an Automotive Return on Investment of 21.3% and an Automotive EBITDA of EUR 7,420 million, which resulted in an Automotive EBITDA Margin of 24.5%.

12.2 Investment Highlights

As one of the world's most successful luxury sports car manufacturers (based on 2021 unit sales in the global luxury automotive segment; source: S&P Global Mobility Light Vehicle Sales Forecast April 2022), Porsche is determined to expand its position as a leading luxury BEV manufacturer and become a true leader of sustainability in the automotive industry while preserving the performance and driving spirit that epitomizes a Porsche. To achieve these goals, it plans to leverage its many strengths, including its iconic brand and racing heritage, structural growth advantages, superior customer experience, innovative BEV technologies, commitment to sustainable luxury, people-centric performance culture and compelling financial performance.

12.2.1 Iconic brand and heritage

The Group believes that Porsche's iconic design and racing heritage give its brand a unique position in the market, supported by a track record of successful product launches and a passionate community of Porsche owners and fans around the world. Porsche's vehicles have displayed a distinct design language across the decades, epitomized by the iconic 911—introduced in 1963 as the Porsche 901 and still in production in its eighth generation—which has strengthened both its brand identity (*i.e.*, that a particular vehicle is recognizable as a Porsche) and product identity (*i.e.*, that a particular Porsche is recognizable as a specific model). In 2019, Porsche's distinctive approach to design continued with the launch of the Group's first luxury BEV, the highly successful Taycan, positioning the Group as a leading producer of luxury BEVs and laying the groundwork for further Porsche BEVs with the same powerful brand and product identities as the iconic Porsche models which came before them.

Motorsport is just as much a part of Porsche's heritage as the unique design of its vehicles. Porsche Motorsport has a long record of racing success in Formula One, Rallye Monte Carlo, Daytona and other legendary races, including, among many others, a record 19 overall victories since 1970 at the 24 Hours of Le Mans, 110 class victories at Le Mans, three consecutive World Endurance Championship manufacturers' and drivers' titles, the historic one-two finish by the TAG Heuer Porsche Formula E team at the 2022 Mexico City E-Prix in February of 2022 and a win in June of 2022 at the GTE-Pro-Class 24 Hours of Le Mans by the Porsche GT Works team. The Group believes that motorsport will continue to fuel the Porsche myth, serving as an aspiration for the Group's existing and potential customers, inspiring technological innovations "from the racetrack to the road", which can be seen in Porsche Motorsport's contributions to the Group's street-legal GT models, and nurturing an emotional connection between the Group and millions of motorsport enthusiasts and Porsche fans around the world.

The Group's iconic brand has developed into one of the world's leading and most valuable luxury brands. According to the Group's customer surveys, the Porsche brand is the number one reason customers in France, Germany, Italy, Spain and the UK decide to buy a Porsche. The Group considers its brand to be its most powerful asset—an expression of its iconic design and racing heritage that serves as a foundation for its future growth.

The Group's brand and heritage have also contributed to the development of a vibrant customer and fan community. The Group supports numerous Porsche Clubs including several Porsche Classic Clubs, which provide an opportunity for enthusiastic drivers of Porsche vehicles to meet. According to reports from those clubs during the period from 2017 to 2022, there were over 700 independently managed Porsche Clubs globally, with more than 240,000 members as of 2022. In addition to fan clubs supported by the Group, there are many online and in-person Porsche enthusiast groups around the world. The Group views these communities and events as providing customers and fans with unique Porsche experiences, engendering a family spirit among Porsche owners and fans and increasing the strength of word-of-mouth marketing and brand engagement. For this reason, the Group considers the global Porsche community to be at the core of its powerful brand and enduring popularity.

The Group attributes the strength of its brand to its ability to reconcile a number of seeming contradictions: it successfully combines the pioneering spirit of the Taycan with the tradition of the 911; the exclusivity of one of the world's most valuable luxury brands with the likeability represented by hundreds of thousands of active fans and enthusiasts around the world; the distinctive design that makes every Porsche around the world instantly recognizable with the compelling functionality of models like the Cayenne, and the performance of one of the world's most successful racing brands with sustainability ambitions that include working towards a net carbon neutral value chain in 2030.

12.2.2 Structural growth advantages

The Group operates within a structural growth environment offering a number of key benefits that it believes underpin and enhance its growth prospects. These include the following:

- *Growth in wealth across regions driving attractive luxury market dynamic*. The Group considers HNWIs, defined as those with liquid assets of between USD 1.0 and 30.0 million to be a core customer demographic and loyal customer base. According to Knight Frank, the total number of HNWIs grew at a CAGR of 10% between 2016 and 2021 and is expected to grow by a CAGR of 9% between 2021 and 2026, resulting in the number of HNWIs more than doubling from 43.1 million in 2016 to 106.3 million in 2026 and representing in the Group's view a significant increase in potential customers. In addition to overall HNWI growth, the Group believes that the proportion of Millennials (defined as those born between 1980 and 1995), Gen Z (defined as those born between 1996 and 2012) and women within the HNWI population is also growing. On a regional basis, Knight Frank projects that the HNWI population will grow at a CAGR of 13% in China, a CAGR of 8% in Europe, and a CAGR of 9% in North America (including the United States and Canada) and the world's remaining regions at a CAGR of 7% (source: Knight Frank January 2022). The Group made 145,860 Deliveries in H1 2022 (of which China, Germany, Europe without Germany, North America and Rest of the World constituted 28%, 9%, 20%, 26% and 16%, respectively) and made 301,915 Deliveries in 2021 (of which China, Germany, Europe without Germany, North America and Rest of the World constituted 32%, 10%, 19%, 26% and 13%, respectively), making projected regional HNWI growth broadly consistent with the Group's current regional Delivery breakdown in its key markets of China, Europe and North America.
- *Evolving luxury paradigm.* The Group believes that the growing share of women, Millennials and Gen Z in the population of HNWIs has implications for how HNWIs will choose to allocate their wealth, contributing to an evolving paradigm in which luxury is increasingly being defined by driven, high-achieving women and young people and creative leaders, who value experiences and personalized products and services. In a recent survey of potential Chinese luxury-vehicle buyers, for example, nearly 84% of respondents said that the ability to personalize their vehicle is important or very important (source: McKinsey July 2022). Sustainability is also expected to be an increasing focus for these customers, with more than 70% of current owners of premium and luxury ICE vehicles willing to switch to an electrified vehicle for their next purchase (source: McKinsey July 2022).

The Group believes these demographic trends will contribute to a growing next generation of luxury buyers and potential customers with upside potential for the Group, driving demand for luxury consisting of rich experiences and personalized products and services which are produced, delivered and operated in a sustainable manner. The Group offers customers and potential customers a multitude of experiences through which they can learn more about Porsche and gain an appreciation of its products and services. These include Porsche Experience Centers, a brand engagement tool which typically includes a drive track, historical vehicle exhibition, store and other customer experiences, Porsche Drive Subscription, which allows customers to rent newly used cars for periods lasting more than one month and Porsche Drive Rental, which allows customers to choose newly used cars from the latest Porsche models for rental periods from three hours up to 28 days.

The Company also caters to customers who demand higher specifications and unique or personalized features to distinguish their vehicle from others. The Group aims to fulfill these requests by offering limited edition models, on average one or two per year, as well as premium features and end-to-end customization through the Group's special request program under the Porsche Exclusive Manufaktur sub-brand. These limited and personalized products and services are expected to continue to have a positive effect on the Group's sales revenue and profitability, as they tend to command premium prices, and as the Group believes it has not fully exploited the still increasing demand for limited edition models. The Group further believes that its ambition to be a leader in sustainability in the automotive industry, including by working to achieve a net carbon neutral value chain in 2030 through a wide range of sustainability initiatives, will also resonate with customers increasingly prioritizing sustainability.

- *Luxury car segment to drive automotive market growth*. The Group believes that the luxury car segment will drive automotive growth in the coming years, and that the key factors driving customer buying decisions beyond the product itself will include brand strength, seamless customer experiences, omnichannel touchpoints and growing fundamental demand. Available market data suggests that demand for luxury cars will grow significantly faster than demand for non-luxury cars. Whereas non-luxury cars, representing 97–98% of the global car market (defined as cars priced below USD 80,000), are expected to grow at a CAGR of 1% between 2021 and 2031, luxury cars priced between USD 80,000 and USD 149,000 are expected to grow at a CAGR of more than 8% over that period, cars priced between USD 150,000 and USD 299,000 are expected to grow at a CAGR of more than 10% over that period, cars priced between USD 300,000 and USD 500,000 are expected to grow at a CAGR of more than 9% over that period and cars priced over USD 500,000 are expected to grow at a CAGR of more than 14% over that period (source: McKinsey July 2022).

Porsche believes that it is well-positioned at the intersection of the luxury car market, with its growing fundamental demand, and in particular the luxury sports car, SUV and BEV markets. The luxury SUV market segment is projected to grow at a CAGR of approximately 6% between 2021 and 2026 (source: S&P Global Mobility Light Vehicle Sales Forecast April 2022). A recent luxury car market study found that 50% of customers prefer an SUV as their next purchase (source: McKinsey July 2022). Since 2018, the Group's SUVs have experienced the highest demand of all the Group's vehicles, with the Macan being the Group's bestselling series in 2021 and 2019 and the Cayenne being the Group's bestselling series in 2020. The Group's SUVs comprised 57% of total Deliveries in 2021. In addition, luxury sports cars are expected to grow at a CAGR of approximately 7% between 2021 and 2026 (source: S&P Global Mobility Light Vehicle Powertrain and Alternative Propulsion Production Forecast April 2022). The Group's luxury two-door sports cars continue to be bestsellers, with more of the Group's iconic 911s being sold in 2021 than in any year in its history. The Group's luxury two-door sports cars and sports limousines comprised 43% of total Deliveries in 2021.

The BEV market is forecasted to grow at a CAGR of approximately 34% between 2021 and 2026 (source: S&P Global Mobility Light Vehicle Powertrain and Alternative Propulsion Production Forecast April 2022). The Group believes that BEV adoption will increasingly define the luxury car market, in particular as urban HNWIs increasingly demand electrified vehicles, with SUVs eventually representing the largest electrified vehicle segment. For electrified luxury vehicles priced between USD 80,000 and USD 149,000, adoption in a base scenario is expected to increase from approximately 4% of the total luxury car market in 2021 to between 20% and 25% by 2026 to between 40% and 50% by 2031. For electrified luxury vehicles priced between USD 150,000 and USD 299,000, adoption is expected to increase from 2% of the total luxury car market in 2021 to between 15% and 20% by 2026 to between 45% and 55% by 2031 (source: McKinsey & Company July 2022).

These estimates indicate potential benefits for luxury players, like the Group, which would have the scale to meet this demand. In 2019, the Group launched its luxury BEV, the Taycan. In 2021, the Taycan became the Group's third most popular model by Deliveries with over 40,000 Taycan models delivered to customers in that year. The Group is investing in capturing optimal participation in the growth in the luxury BEV market through the planned introduction of new BEV products like the Macan BEV and BEV models of the 718, a new, fully-electric luxury SUV model and other new BEV models planned for the future. In 2021, BEVs comprised 14% of the Group's Deliveries. The Group's ambition is for Electrified Vehicles to comprise over 50% of new vehicles delivered in 2025 and for BEVs to comprise over 80% of new vehicles delivered in 2030.

12.2.3 Superior customer experience

The Group estimates it has approximately 2.7 million registered customers (*i.e.*, customers who owned at least one Porsche vehicle as of June of 2022). Porsche also has devoted long-term customers; for example, according to Group estimates, approximately 60% of customers who owned a Porsche vehicle more than ten years earlier still owned it as of April of 2022. Based on self-reporting by Group customers, the Group's customer base had an average household income of approximately EUR 320,000 (gross; 42% tax rate assumed to calculate gross) in Germany, approximately EUR 410,000 (gross) in China and approximately EUR 510,000 (gross) in the United States (RMB/EUR exchange rate 0.1311; USD/EUR exchange rate 0.846). The Group's customer base has grown through a combination of retention, with customer churn in 2021 (*i.e.*, the number of registered customers at the beginning of 2021 who were not registered customers anymore at the end of 2021, divided by the total number of registered customers at the beginning of 2021) amounting to less than approximately 7%; expansion into new geographic markets, with the Group having so far reached around 120 markets (or countries) globally; and winning new customers with new products and services, for example, with approximately 60% of Taycan buyers from the first recorded Taycan buyer to June of 2022 being first time Porsche customers.

The Group intends to expand its customer base by strategically targeting new customer segments while continuing to build loyalty among existing customers. A typical Porsche customer today is often an ambitious person with a high income and standard of living and, at least in Western markets, tends to be male. However, the Group is further targeting female and younger customers as well as creative leaders as potential Porsche customers.

Mindful that luxury spending among such newer demographic groups is likely to be increasingly driven by the desire for seamless customer experiences and omnichannel touchpoints, the Group has sought to create a holistic luxury experience across a wide range of customer touchpoints. These include a customer-centric omnichannel ecosystem designed to foster brand engagement, which has both physical and digital features. Key physical features include a global dealer network comprising more than 900 Porsche Centers worldwide as of June of 2022; the Group's Destination Porsche concept, a global initiative to revamp physical Porsche sales sites in a more modern, customer-engaging manner, with more than 600 sites targeted for revamp by 2030; and Porsche Experience Centers, of which there are nine currently in operation, with a tenth, in Toronto, Canada, currently under development with a planned open date in 2024. Porsche Experience Centers typically include a drive track, historical vehicle exhibition, store and other customer experiences.

Key digital features of the Group's customer ecosystem include the Porsche.com website, with approximately 6.8 average million unique visitors per month between January and May of 2022, which has a configurator where prospective customers can create their own unique Porsche, the My Porsche portal/app, an omnichannel customer ecosystem which allows Porsche owners to arrange appointments, select service consultants, tailor the navigation, entertainment and information functions of their Porsche, and retrieve information about their vehicle, and Porsche Marketplace, a digital vehicle finder function which Authorized Dealers use to offer new and used cars immediately available online, which had approximately 1.5 million unique visitors per month between January and May of 2022 across its various points of access. The Group estimates that up to 25% of its sales may be generated online (and later completed by an Authorized Dealer) by 2025 (which may vary by region).

Porsche customers also become part of a Porsche community, with both physical and digital opportunities to engage with fellow Porsche enthusiasts. According to reports from those clubs during the period from 2017 to 2022, there were over 700 independently managed Porsche Clubs globally, with more than 240,000 members as of 2022, and the Group has held 15 "Beyond Automotive" platform events since 2017 with an estimated more than 200,000 attendees (*i.e.*, physical interaction with the brand including walk by traffic and which could not be 100% technically counted due to estimates including passersby and interactions at outside stands) intended to reach new target communities. The Group is also active on social media, with the primary Porsche handle having approximately 27 million Instagram followers as of June of 2022 and being in the top three of liked automotive brands on Tik Tok. All of these channels exist in addition to Porsche Motorsports as well as other Porsche-based experiences which Porsche enthusiasts can participate in, independently of the Group, around the world.

For those customers seeking personalized or customized products, services and experiences, the Group offers customers unique opportunities. Under the Porsche Classic sub-brand, the Group worked with around 80 Authorized Dealer partners worldwide as of June of 2022 that are specially trained and equipped to restore and provide parts and services for classic Porsche vehicles. In 2021, the Porsche Classic sub-brand generated approximately EUR 150 million in sales revenue. Further, through the Exclusive Manufaktur sub-brand, Porsche offers end-to-end customization of Porsche vehicles, enabling customers to create their dream car. For an even further customized Porsche, customers can engage in co-creation and customization of a Porsche vehicle beyond that which can be done through traditional vehicle orders. As of June of 2022, the Porsche Exclusive Manufaktur sub-brand worked with around 100 Authorized Dealer partners worldwide. In 2021, Porsche Exclusive Manufaktur generated approximately EUR 750 million in sales revenue.

12.2.4 Performance BEV transition leadership

The Group considers itself a luxury BEV leader engaged in a transition to an Electrified Vehicle-centric portfolio that is backed by both existing and new customers and supported by its innovative BEV technologies, an end-to-end charging infrastructure ecosystem and a flexible technology strategy. To deliver on its technological transition, the Group is relying on its own innovations, complemented by the skills of strong technology partners and its access to the Volkswagen Group's deep expertise. To date, the Group has launched its first BEV and developed e-motors with high-performance direct stator oil cooling, battery direct oil cooling, efficiency-enhancing 800 kW recuperation and 350 kW/900 volt turbo charging, as shown in the Mission R concept car, which the Group unveiled in 2021.

The Group's first BEV, previewed as the Porsche Mission E concept car at the 2015 Frankfurt Motor Show and later named the Taycan, was launched in 2019. It has since become a best-seller, outselling even the 911 in 2021, with approximately 60% of buyers between 2019 and June of 2022 being first time Porsche customers. The Taycan has won more than 35 awards since 2019, as well as being named the most innovative car globally by the Center of Automotive Management in 2020. The Group is determined to capitalize on the popularity and demand for Porsche BEVs and to capture optimal participation in the anticipated growth of the overall BEV market through the planned introduction of new BEV products like the Macan BEV and BEV models of the 718, as well as future models. In 2021, BEVs comprised 14% of the Group's Deliveries. The Group's ambition is for Electrified Vehicles to comprise over 50% of new vehicles delivered in 2025 and for BEVs alone to comprise over 80% of new vehicles delivered in 2030. The roadmap for achieving this ambition is based on internal Group estimates which seek to anticipate, on a region-specific basis, Porsche customer preferences by modeling the inflection point at which a Porsche BEV offering will address equal or greater demand than a Porsche ICE-based offering.

A core element of the Group's BEV transition is its long-term platform strategy. Currently, the Group's ICEs are principally designed and manufactured on modular architectures developed by the Group in the case of its 911 and 718 models and by the Volkswagen Group in the case of the Group's other ICEs and its PHEVs, with the Taycan relying on a specific 800-volt electrical platform. The Group is currently working with Audi to develop the Premium Platform Electric, a modular platform for electric cars (the "**PPE**"), which is intended to support the Macan BEV and future Cayenne BEV models in the near- to medium-term. In addition, the Group, together with Audi and other members of the Volkswagen Group, is developing the SSP. A high-performance version of the SSP, SSP Sport, lead-developed by the Group, is expected to support the Group's BEVs developed in the longer term in the sports limousine and SUV segments, beginning with the expected new, fully-electric luxury SUV model. 911 and 718 models will continue to be designed and manufactured on modular architectures developed by the Group, irrespective of powertrain type. The Group believes this long-term strategy of orienting the Group's product vehicle development on two platforms (the SSP Sport for sports limousines and SUVs, and a bespoke architecture for two-door sports cars) will enable it to capture the same modular synergies it has relied on in designing and manufacturing its ICEs and PHEVs in the past as it transitions to an Electrified Vehicle-centric portfolio. Further, the launch of the SSP Sport will not depend on other SSP platforms developed by the Volkswagen Group.

The Group is pursuing a flexible software strategy in collaboration with other members of the Volkswagen Group which it expects will be crucial to its transition to an Electrified Vehicle-centric portfolio. Specifically, the Group is working together with the Volkswagen Group to develop a unified Volkswagen Group technology and software operating system through CARIAD, a subsidiary of Volkswagen AG. The current goal of CARIAD and the Group is to use a synergetic base to create a next generation universal software platform and related hardware architecture (*i.e.*, the E^3 1.2 platform) for the Group's vehicles (with Audi also collaborating on the project for a related version of the E^3 1.2 platform), which will be designed to coordinate many of the technological applications in a vehicle (including most of a vehicle's software and software stacks, comprising among others engine and safety features such as ADAS and intelligent braking, as well as infotainment) in addition to managing certain updates and upgrades of various features. The Group is currently developing, together with CARIAD and Audi, the E^3 1.2 platform for deployment in its upcoming launch of the Macan BEV. The E^3 1.2 platform is also intended to serve as the basis for a future generation platform (*i.e.*, the E^3 1.2 Evo platform) implementing more advanced features, including broader ADAS and OTA technologies, in future product launches. See also "*14.1.7 CARIAD Cooperation Framework Agreement and Related Contracts*".

The Group's comprehensive battery strategy reflects the fact that high-performance batteries are among the most critical components in BEVs. In May of 2021, the Group entered into a joint venture with Customcells, in the Group's view one of the world's leading companies in the development of special lithium-ion battery cells, to establish Cellforce. Cellforce is intended to develop and produce customer-specific, high-performance battery cells for use in series production and motorsport vehicles, including potentially those of the Group. As of June of 2022, the Group owned approximately 73% of the share capital in Cellforce. The Group views future Cellforce battery cells as providing a potential solution to external supply issues in the automotive market in sourcing high-performance battery cells and as potentially playing a role in the Group achieving its ambition of 80% of new vehicles delivered being BEVs in 2030. Cellforce was initially founded with an aim of small series production (*i.e.*, battery cells for approximately 1,000 cars per year) beginning in 2024. In July of 2022, however, the Group decided to scale Cellforce up to an annual production capacity of 1.3 Gigawatt hours ("**GWh**") (approximately 10,000 cars), including indications of an additional 10 GWh annual production capacity in a second facility at a separate location in Germany or elsewhere in Europe. An additional investment of EUR 171 million by the Group into Cellforce has been approved. In May of 2022, the Group announced that it had invested USD 100 million in Group14, a developer of silicon-carbon technology for lithium-ion battery cells, as part of a Group-led series C investment round of USD 400 million. Group14 has signed a supply contract with Cellforce with respect to its silicon-based technologies, which could be used to increase the energy density of Cellforce battery cells. The Group also expects to benefit from access to battery cells produced by the Volkswagen Group, which is targeting production of 240 GWh of battery cells by 2030, although the Group does not currently intend to directly invest into large-scale Volkswagen Group battery cell factories.

The Group's BEV ambitions, like those of the automotive industry as a whole, depend on widespread consumer acceptance of BEVs. A key factor in such acceptance is the availability of sufficient charging infrastructure. The Group has developed a comprehensive high-performance charging strategy that relies on a combination of its own charging stations, stations owned by joint ventures and partnerships and public charging stations owned by third parties. Specifically, the Group's end-to-end charging ecosystem available to its customers includes more than 100 Group-owned stations in China and is planned to eventually include up to 100 Group-owned stations in Europe, with first stations planned to open in 2023; stations operated by IONITY, a joint venture the Group entered into in 2017 with other car manufacturers which as of July of 2022 had approximately 420 stations in 24 European countries with plans to expand to over 1,000 stations by 2025; and more than 275,000 other publicly accessible charging points operated by third-party providers around the world including in over 20 European countries, the United States and China, including stations in the United States and Canada through a partnership with Electrify America which are planned to number more than 1,800 by 2026.

12.2.5 Performance Culture

The Group believes a key driver of its past and future success is the people-centric performance culture it has cultivated throughout the Group. In particular, the Group seeks to imbue its "Porsche family" with certain core values: passion and enthusiasm, a pioneering spirit that drives innovation and the agility to adapt quickly to change. The majority of the Company's employees are proud to work at Porsche, with 94% of the 16,000 participating employees in a recent internal survey agreeing that the Company is an attractive employer and viewed positively by the public and its customers. For the last 30 years, the Company has engaged its employees in the process of improving the Company through initiatives like its "Porsche Idea Management" (*Porsche Ideenmanagement*), as well as its "Porsche Improvement Process" (*Porsche Verbesserungsprozess*), which in total comprised more than 1,000 activities in 2021 with the goal of continuous improvement through the elimination of inefficiencies, optimizing quality and the establishment of corresponding standards. According to Glassdoor, as of June of 2022, more than 85% of reviewers recommend Porsche as an employer, and the German business magazine *Wirtschaftswoche* reported in June of 2022 on a Universum study in which Business and Engineering students ranked Porsche as the most attractive German employer. The Group believes this culture is also reflected in related targets in the Company's management incentivization strategy, with part of the targets for upper management being related to performance culture (*e.g.*, diversity hiring goals or the implementation of culture initiatives).

The Group works hard to ensure its employees have the skills they need to drive the Group's transformation to an Electrified Vehicle-centric portfolio and confront the numerous other challenges introduced by technological and societal change and the uncertain economic environment within which the Group operates. These efforts include continually assessing its specific hiring needs and up- and re-skilling its employees, transferring workers internally to wherever they can make the greatest contribution and selectively seeking strategic partners to supplement its capabilities, all in order to ensure that its human resources are aligned with the Group's strategic needs. Re-skilling its existing employees in particular is a key initiative with many aspects. Through Digital Academy Porsche, for example, employees are able to attend coding camps and various training modules, receive virtual nano degrees (*i.e.*, certifications in computer science fields), access online courses and tools, and participate in master classes and training sessions with Company experts. In addition, the Porsche Workforce Transformation Initiative, supervised by three Executive Board members, is also expected to help manage the shift in competencies.

The Group believes that the passion and enthusiasm of its talented employees have helped build Porsche into one of the world's most valuable luxury brands and a leader in luxury vehicle electrification, as well as contributing to its compelling financial profile, and that its performance culture will be crucial in driving the innovation required for the Group's continued success.

12.2.6 Pursuing sustainable performance

The Group is conscious that its customers view sustainability as increasingly important and that it also has social responsibilities that can transcend its obligations to its customers. The Group has therefore designed its sustainability framework around six strategic pillars that reflect these responsibilities: decarbonization, circular economy, diversity, partner to society, supply chain responsibility and governance and transparency. Some of the Group's key sustainability achievements to date include: being awarded a "B–" ESG rating by ISS in October of 2021, making it among the best rated among 41 rated companies within the automotive industry; its award-winning luxury BEV, the Taycan, which represented 14% of its total Deliveries in 2021; and reaching net carbon neutral status in its main research and development and production sites in Stuttgart-Zuffenhausen, Leipzig and Weissach (based on Scope 1 and Scope 2 emissions as defined by the Greenhouse Gas Protocol framework ("**Scope 1**" and "**Scope 2**")). The Group sets its decarbonization strategy based on its own decarbonization index ("**DCI**"), which aims to offer a comprehensive overview of the CO_2 equivalent emissions throughout the Group's value chain. See "*12.10 Sustainability Management*" for more information.

Building on these achievements, the Group is working towards becoming net carbon neutral across the value chain in 2030, a goal that encompasses Scope 1, Scope 2 and Scope 3 emissions as defined by the Greenhouse Gas Protocol framework ("**Scope 3**"), but excludes Scope 3 emissions of cars delivered in previous years, prior to the achievement of net carbon neutrality (noting the Group's ambition is for all of its future BEV models to be net carbon neutral across the value chain from launch prior to 2030). The core elements of this ambition call for the Group to continue to pursue (i) portfolio electrification, (ii) green electricity for the BEV use-phase, (iii) a "zero-impact" factory vision (for Scope 1 and Scope 2 emissions), (iv) responsible supply chain practices with emphasis on criteria such as reliance on green electricity, circular materials and processes, and (v) an offsetting strategy for remaining CO_2 emissions.

The Group's portfolio electrification ambitions include for Electrified Vehicles to comprise over 50% of new vehicles delivered in 2025, for BEVs to comprise over 80% of new vehicles delivered in 2030 and for all future BEV models to be net carbon neutral across the value chain from launch. The Group believes these ambitions are supported by customer perceptions being closely attuned to sustainability: a Group study in 2021 found that over 50% of respondents in China and the U.S. perceived sustainability as an important purchase criterion.

In its aim to make the use-phase of its new model BEVs net carbon neutral, the Group seeks to reach 100% green electricity during the use-phase by procuring green energy certificates via collaborations with Volkswagen Kraftwerke GmbH and others.

The Group's zero-impact factory vision (for Scope 1 and Scope 2 emissions), which aims to support, among others, circularity, biodiversity and air quality, relies on the use of environmental impact points to measure and steer towards its ambition, with points designed to measure energy usage, power plant emissions, CO_2, air pollutants, water, wastewater and general waste. Measured against a 2018 baseline, the Group is targeting a reduction of 95% of such environmental impact points at its Stuttgart-Zuffenhausen and Leipzig plants in 2030. The Group also aims to achieve a reduction of 45% of environmental pollution per vehicle in its own production between 2014 and 2025, including energy usage, CO_2, waste for disposal, water and volatile organic compounds per vehicle.

Working to further decarbonize the Group's supply chain includes key initiatives such as increasing the Group's use of on circular materials and green electricity in supplier production processes. Furthermore, the Group has imposed an "S-rating" ("S" for sustainability) as a key supplier selection criterion (the "**S-rating**"). The S-rating is a designation employed by the Group measuring sustainability including environmental, social and compliance aspects of a supplier's operations based on self-assessment questionnaires and on-site checks if required.

The Group's strategy towards carbon net neutrality includes carbon reduction and carbon removal efforts, which will also be used to offset other emissions, such as fuel and tailpipe emissions for ICE vehicles and PHEVs that are continued to be sold. The Group aspires to reduce its reliance on such offsets over time. In addition, the Group's vision of a net carbon neutral value chain relies on assumptions (such as technological advances that have yet to be fully developed as well as other factors, such as regulatory or economic developments, that may be out of the Group's control) and may not be achievable in certain respects. The Group, however, is committed to pursuing its decarbonization ambitions.

In addition to its net carbon neutrality goals, the Group also sees itself as a partner to society and seeks to empower disadvantaged and underserved populations. With the aim of having a long-lasting impact, the Group uses targeted training and seeks to raise awareness of such topics. Through its projects, the Group seeks to achieve quantifiable improvement in the circumstances of disadvantaged and underserved populations and is currently developing an impact reporting system to help quantify the lasting positive change the Group aspires to achieve. Examples of the Group's engagement include the over 6,100 graduates who have completed the Porsche Aftersales Vocational Education ("**PAVE**") program, which provides vocational education in technical professions for young adults, since 2015. Since 2020 the Group has also been a member of the cross-industry Responsible Mica Initiative.

The Group has also implemented governance measures emphasizing sustainability principles at the Executive Board level via dedicated board sponsorship, ongoing consultation with an external sustainability council of specialists from various fields on the Group's strategy and ensuring that ESG criteria are part of selected Group management's key decision processes, for example on matters including investments and product development. The Group is also engaged in a number of other sustainability initiatives. See "*12.10 Sustainability Management*" for more information.

12.2.7 Luxury with scale benefits

The Group has an attractive position at the intersection of luxury pricing and scale, strengthening its position as a luxury brand and its economic performance, while its origins and racing heritage reinforce its image as the maker of iconic luxury sports vehicles. Meanwhile, the popularity of its luxury SUVs, which comprised 57% of its Deliveries in 2021, has given it crucial exposure to a large and profitable market segment, while its ambition for over 80% of new vehicles delivered in 2030 to comprise BEVs positions it to be at the forefront of the global transition of the entire automotive industry away from ICEs towards an electrified future.

The Group believes its business model gives it an attractive position in the automotive market generally. Although premium OEMs such as Audi, BMW, Mercedes-Benz (excluding vans), Tesla and Volvo tend to deliver higher volumes than the Group, the Group's average Automotive sales revenue per car, defined as the ratio of Automotive sales revenue to Deliveries, of EUR 100,000 was more than twice that of such premium OEMs in 2021 (source: annual reports, whereby terms in such reports comprising automotive sales revenue and deliveries may not be entirely comparable to the Group's Automotive sales revenue and Deliveries due to differences in accounting policies). Similarly, while the Group commands less than the average revenue per car of niche luxury OEMs such as Aston Martin, Bentley, Ferrari, Lamborghini and McLaren, some of which can run more than EUR 300,000, the Group has far greater volume and scale than most such niche luxury OEMs, which each had approximately 10,000 deliveries or less in 2021. As a result, the Group commands a singular position among high-end OEMs, with its luxury sports vehicles generating significantly more average Automotive sales revenue per car than its premium OEM competitors (source: annual reports, whereby terms in such reports comprising automotive sales revenue and deliveries may not be entirely comparable to the Group's Automotive sales revenue and Deliveries due to differences in accounting policies), but with a volume and scale that dwarf that of its luxury OEM competitors. The Group considers this "luxury with scale" model to be a key driver of its compelling financial performance.

12.2.8 Compelling Financial Performance

The Group believes it offers investors a compelling financial proposition due to its attractive positioning in the market, strong pricing strategy and profitability and sustainable cash generation, which it believes collectively form the basis for compelling potential shareholder returns in the future. Underpinning this proposition is the Group's track record of consistent, resilient sales revenue growth. Between 2011 and 2021, sales revenue grew at a CAGR of 12%, from EUR 10.9 billion in 2011 to EUR 33.1 billion in 2021, and grew further at a CAGR of 8%, from EUR 16.5 billion in H1 2021 to EUR 17.9 billion in H1 2022. Each year during this period, the Group increased its sales revenue and demonstrated an ability to both retain existing customers and attract new customers, including in challenging market conditions like those during the Covid-19 pandemic and the ongoing semiconductor shortage. This track record of growth is the result of strong demand for the Group's products as well as successful model launches and expansion into new vehicle segments.

The Group's track record of successful growth is underpinned by its resilience. Since the Global Financial Crisis in 2009, when the Group generated a Return on Sales of 9.7%, it has developed and strengthened its business to navigate challenging macroeconomic environments successfully. The Group has implemented key structural changes since 2009 including (i) increasing its size and scale, represented by the strong growth of its Deliveries, from approximately 100,000 in 2008 to approximately 119,000 in 2011 to 301,915 in 2021, enabling the Group to absorb fixed costs and continue making investments even in challenging times; (ii) developing a more balanced geographic footprint, expanding from a Delivery split for China, Europe, North America, and Rest of the World of 8%, 40%, 34%, and 19%, respectively, in 2008 to a Delivery split of 32%, 29%, 26% and 13%, respectively, in 2021, and thereby reducing the Group's exposure to region-specific risks and allowing it to benefit from regional market trends; and (iii) introducing a more diversified product portfolio, expanding from three model families—the 911, 718 and Cayenne—in 2008 to six in 2021 by adding the Panamera, Macan and Taycan model families, helping to grow the Group's scale but also enabling it to tap into parts of the luxury automotive market that were not covered in 2008 (information in this paragraph for

2008 and 2011 is based on former Porsche SE financial years ended July 31, 2008 and December 31, 2011). These resilience-enhancing attributes are reflected in the Group's robust Return on Sales, which averaged 16.1% between 2017 and 2021, and 14.6% in 2020 during the Covid-19 pandemic.

More generally, the Group believes that it possesses an optimal combination of attributes—notably a financially strong customer base, the ability to adapt and react quickly to change, proactive supply chain management, continuous optimization programs focused on maintaining and enhancing margins and constant structural improvements over time (such as developing a flexible production footprint for ICE and BEV models to better meet customer demand and securing options for long-term capacity expansion to support BEV growth).

The Group believes that it benefits from an attractive "luxury with scale" market position, combining volumes which are significantly higher than niche luxury OEMs with an average Automotive sales revenue per car that is more than twice that of premium OEMs (including Audi, BMW, Mercedes-Benz, Tesla and Volvo Cars) (source: annual reports, whereby terms in such reports comprising automotive sales revenue and deliveries may not be entirely comparable to the Group's Automotive sales revenue and Deliveries due to differences in accounting policies), opening up customer potential that is not available to more niche luxury or premium market participants. The Group also has a diversified global presence with clients in around 120 markets around the world. The Group's well-balanced geographic exposure provides both resilience as well as access to growth in attractive markets.

Since 2019, the Group's sales revenue has grown at a CAGR of 8%, to EUR 33.1 billion in 2021 from EUR 28.5 billion in 2019, or a CAGR of 11%, 5%, 6% and 10% in China, Europe, North America and Rest of the World, respectively. The Group's sales revenue growth was mainly attributable to growth in volume and positive product mix / price effects despite the Covid-19 pandemic, assisted by the rollout of the Taycan and an increase in sales revenues from customization, with smaller positive impacts from used vehicles and services (*e.g.*, consulting business) and the Financial Services segment. The Group's average Automotive sales revenue per car grew at a CAGR of 4%, from approximately EUR 93,000 in 2019 to approximately EUR 100,000 in 2021. In H1 2022, average Automotive sales revenue per car grew to approximately EUR 113,000. The Group believes sales revenue has further upside potential in coming years from planned model line extensions, which will focus on vehicles in higher-end segments that command higher prices, further growth in customization and the transition to BEVs, as well as the launch of a range of new electrified models at potentially higher average prices than the Group's ICEs.

The Group has achieved consistent profit expansion since 2019, with operating profit growing at a CAGR of 17% in the period from 2019 to 2021 (with Group operating profit in 2019 including the EUR 535 million penalty notice from the public prosecutor's office in Stuttgart in 2019 relating to the diesel issue). Automotive operating profit (including the EUR 535 million penalty notice from the public prosecutor's office in Stuttgart relating to the diesel issue) grew from EUR 3.7 billion in 2019 to EUR 5.0 billion in 2021. Automotive operating profit also grew at a CAGR of 23%, from EUR 2.7 billion in H1 2021 to EUR 3.3 billion in H1 2022.

The Group's Return on Sales increased from 15.4% to 16.0% between 2019 and 2021, while Automotive Return on Sales increased from 16.2% to 16.6%. The Group's Return on Sales increased from 16.9% in H1 2021 to 19.4% in H1 2022. The primary driver of the Group's profitability during the period was the positive impact from product mix, pricing and positive foreign exchange rate movements. The Group believes both operating profit and Return on Sales have further upside in the coming years.

In addition to pricing strategy and the shift to higher-end models, the Group believes that it has made significant foundational investments, affording it a well-developed product and technology base for the future. Automotive Investments have declined from EUR 4.2 billion in 2019 to EUR 3.8 billion in 2021, with the ratio of Automotive Investments to Automotive sales revenue declining from 16.0% to 12.5% over the same period. The Group expects further investment efficiency once its electrification strategy fully materializes. The Group plans to maintain its product and technology base through targeted investments and continued research and development efforts to maintain its competitiveness in the long-term.

In line with its electrification strategy, the proportion of total product investments represented by Automotive BEV & PHEV Related Investments increased, from approximately 45% in 2019 to approximately 55% in 2021, as the Group laid the groundwork for its BEV transition and made most of its major electrified vehicle-related investments. The Group expects that this ratio may increase as it continues to execute its electrification strategy going forward. The Group believes, based on publicly available financial statements of other luxury OEMs, that it, over the period between 2019 and 2021, invested significantly more than the average luxury OEM. However, since the Group has been able to deploy economies-of-scale, the Group's average EUR 14,000 investment per car over the last three years is more than nine times less than the average of one of its main luxury OEM competitors (source: annual reports). Furthermore, the Group has been able to utilize its access to the Volkswagen Group. The Group further believes its well-invested technology and asset base, the investment uplift from its Taycan launch in 2019 and additional planned technology and research and development investments create further potential efficiencies, and that it will benefit over time from the scale effects of its robust BEV investments.

The Group has a track record of attractive cash flow generation which is underpinned by its focus on the efficient and smart use of capital. The Group's Automotive Net Cash Flow increased from EUR 1.5 billion, or 5.7% of Automotive sales revenue, in 2019 to EUR 3.7 billion, or 12.1% of Automotive sales revenue, in 2021, before decreasing from EUR 2.6 billion, or 17.2% of Automotive sales revenue, in H1 2021 to EUR 2.4 billion, of 14.5% of Automotive sales revenue, in H1 2022. The Group sees the possibility of further upside potential to the extent its profitable earnings growth continues and in light of its ongoing optimization efforts, particularly given the fact that it has made significant Automotive investments, which it believes form the basis for a potentially compelling shareholder return.

The Group generated a substantial increase in Automotive Net Liquidity, from EUR 2.3 billion as of January 1, 2019 to EUR 5.0 billion as of December 31, 2021, driven by strong cumulative cash flow of EUR 7.4 billion over the period, offset by distributions to shareholders and other outflows. Automotive Net Liquidity further increased to EUR 5.6 billion as of June 30, 2022.

12.3 History and Key Developments of the Group

On April 25, 1931, Ferdinand Porsche, along with co-founders Adolf Rosenberger and Dr. Anton Piëch, had *Dr. Ing. h.c. F. Porsche Gesellschaft mit beschränkter Haftung, Konstruktion und Beratung für Motoren und Fahrzeugbau* entered into the commercial register in Stuttgart, Germany.

The history of Porsche began electrically. In 1900, when Ferdinand Porsche was a technical manager at the carriage manufacturer Ludwig Lohner in Vienna, the first electric car with wheel hub drive was presented at the Paris World Fair, the Lohner-Porsche. In the same year, Porsche constructed the first all-wheel drive car with four electric wheel hub motors and the world's first functioning full hybrid. He tested many of his constructions himself on the race track. In 1906, he designed his first internal combustion engine.

Ferdinand Porsche's intent in the following years was to carry out technical projects for clients while charging licensing fees and earning patent royalties, as engineering consultancies were a common enterprise in Germany at the time.

Over the course of the second half of the 1930s, Ferdinand Porsche's contributions to designing what would become the Volkswagen Beetle also helped lead to the development of what many consider to be the first Porsche sports car—the "Porsche Type 64" of 1939. With the vision of producing a sportier version of the Volkswagen, production began in earnest in 1939 with the goal of being able to be driven at the Berlin-Rome endurance race scheduled for September of that year. Although a lightweight prototype was available for the race, it never took place, as World War II broke out on September 1.

Following the outbreak of the war, Ferry Porsche, son of Ferdinand, along with his sister Louise, moved his father's company from Stuttgart to Gmünd/Carinthia, Austria. Design sketches by Ferry and his team, who famously remarked "In the beginning, I looked around and could not find the car I dreamed of. So I decided to build it myself", ultimately led to the official beginning of the Porsche sports car brand with the introduction of the Porsche 356, featuring an upgraded Volkswagen engine and sporty, low-slung body. However, the production conditions and financial possibilities were very limited while Ferry remained in Gmünd. To better move Porsche forward, at the end of 1949, Ferry moved the company back to Stuttgart and officially took Porsche over from Ferdinand Porsche.

Leasing space in the body factory Stuttgarter Karosseriewerk Reutter & Co ("**Reutter**") in Zuffenhausen, Stuttgart, from 1950 to 1954, Ferry and his team laid the groundwork for Porsche's future success, including the expansion of what would become Porsche's hub in Stuttgart-Zuffenhausen, the Porsche 356 prototype and the design for and import to the United States of the Porsche 356 Speedster, which was built in series from 1954. The period from 1956 to 1963 was marked by continued growth and success: by 1965, around 86,000 Porsches had been built, and, by 1962, Porsche had established an independent distribution network across Europe. In 1963, Porsche introduced what would become an iconic sports car and the backbone of the Porsche brand: the Porsche 901, later renamed the 911 in 1964.

The Porsche 911 was larger and more powerful than the 356, sporting an air-cooled rear-mounted two-liter "boxer" six-cylinder engine which would serve as the basic design principle for the 911 through to the current day. In 1965, it achieved 5th place in the Monte Carlo Rally. In the years following its introduction, the 911 grew from the single 2.0 liter coupe model to a Targa model with a removable roof panel in 1966, with the introduction of a semi-automatic transmission in 1967, and grew to include the higher-performance 911 S in 1967 and the lower-priced 911 T in 1968, among other developments. At the end of 1963, Reutter was sold to Porsche (with its 1,000 employees also moving to Porsche), serving as the basis for expanding and securing the location in Zuffenhausen. The expansion included in 1969 the inclusion of a new multi-story assembly facility, as well as the opening in 1971 of the Porsche Research and Development Center in Weissach. On the track, it was in 1970 that Porsche won its first overall 24 Hours of Le Mans victory with the iconic Porsche 917. Porsche won the 1971 race as well, leading eventually to a record 19 victories for a manufacturer in the current day. In 1974, Porsche introduced the Turbo, a prime example of how Porsche was already making the transfer from motorsport to series production.

The period from 1975 to 1989 was marked by several milestones for Porsche, including the introduction of the front-mounted four-cylinder entry-level Porsche 924 in 1976, total Porsche vehicle production passing 387,000 in 1977 and the introduction in 1978 of the Porsche 928, a front-mounted, liquid-cooled eight-cylinder. The Porsche 924 Turbo, a successful consumer and race car model, was introduced in 1981, followed by the introduction of the first 911 SC Cabriolet (*i.e.*, convertible) in 1982. The 911 Carrera 3.2 followed in 1984. It was also in 1984 that Porsche AG was publicly listed for the first time and Porsche Cars North America was established. By 1987, around 250,000 Porsche 911s had been built.

Following a few years of commercial difficulty for Porsche and stagnating macroeconomic conditions, the appointment of Dr. Wendelin Wiedeking to the Board of Management for Production in 1991 marked a turning point. Dr. Wiedeking and team phased out front-engine models from Porsche's product portfolio in 1995 and introduced the mid-engine "Boxster" concept in 1996, modernized production systems, implanted equal parts principles and oversaw an organizational refocusing on the 911, culminating in a successful final generation of air-cooled 911s in the second half of the decade and the introduction of the first liquid-cooled 911 in 1997. Two years later, Porsche announced that it would be producing its first SUV (later named the Cayenne) from 2002 at a new Porsche facility in Leipzig, Germany. These developments marked both a turnaround for Porsche and the beginning of its modern era.

The years 2000–2002 saw the introduction of a more powerful Boxster, the Boxster S, triptronic S five-speed automatic transmissions and various further updates to the 911 and Boxster model families. In 2002, Porsche introduced the Cayenne in sport and turbo eight-cylinder models, with a six-cylinder model introduced in 2004. 2006 was a significant year for Porsche: the 2007 model year Porsche 911 Turbo, the first series production car with a spark-ignition engine to feature a turbocharger with variable blade geometry, was introduced, and the Cayenne Turbo S was launched. Further, in the fall of 2005, Porsche introduced the Porsche Cayman as a fastback coupe body variant of the Boxster.

In 2007, Porsche launched the 911 Turbo Cabriolet as well as the second generation of the Cayenne model line. 2007 also saw the production of the 200,000th Cayenne and the launch of a refresh of the 911 Carrera and Carrera S with direct injection and highly advanced double-clutch transmissions. In 2009, the Group launched the Porsche Panamera, the "Porsche for four", opened the Porsche Museum in Stuttgart-Zuffenhausen, and announced the Cayenne S Hybrid, Porsche's first hybrid passenger vehicle. Together with the 918 Spyder concept car and the GT3 R Hybrid, the Cayenne S Hybrid was unveiled in Geneva in 2010, and Porsche announced that a Panamera utilizing the same technology would follow, among other product roll-outs and model refreshes.

Porsche continued to progress from 2010 to 2018, marked by the expansion of the Panamera model family into its current form and the introduction of the second generation of the Cayenne model family and new generations of the 718 and the 991 series of the 911. The Macan, Porsche's crossover/compact SUV, was announced in 2010, unveiled in 2013 and formally launched in 2014. In 2014, Porsche introduced various plug-in hybrid versions of the Cayenne, and in 2015 opened the Porsche Experience Center and Porsche North America headquarters in Atlanta, Georgia, U.S. In motorsport, Porsche won consecutive 24 Hours of Le Mans victories in 2015, 2016 and 2017 with the Porsche 919 Hybrid, along with three consecutive WEC manufacturers' and drivers' titles in the same three years. In 2017, the one-millionth Porsche 911 rolled off the production line, and in 2018 Porsche unveiled the 8th and current generation of the 911, the 992 series.

While previewed in 2015 as the Porsche Mission E, the production ready Porsche Taycan, Porsche's first fully-electric passenger vehicle, was revealed in 2019 at the Frankfurt Motor Show. 2019 also saw Porsche's entry into Formula E racing. 2020 saw additional major milestones in Porsche's drive towards sustainability, with the manufacturing facility in Stuttgart-Zuffenhausen becoming net carbon neutral and the announcement that the second generation of the Macan would include an all-electric model. Porsche continued this trend in 2021, expanding the Taycan model family to include four additional model variants, and achieving net carbon neutral status at the Leipzig manufacturing facility and Porsche's research and design facilities in Weissach. In motorsport, a Porsche 911 GT3 R won the 2021 Nürburgring 24 Hours, and, in 2022, the TAG Heuer Porsche Formula E team took a historic one-two finish at the 2022 Mexico City ePrix in February. See also "*16.1 Establishment, Formation, History and Share Capital*".

12.4 Porsche's Products and Services

12.4.1 The Core Porsche Luxury Sports Vehicle Portfolio

The core Porsche product portfolio consists of a number of cars along six model families (the 911, the Taycan, the Macan, the Cayenne, the Panamera and the 718) as well as special editions within these model families. These core products range from the 261 horsepower (as measured per U.S. standards, "**horsepower**", with exact performance, output and efficiency specifications, including with respect to those included in the subsections below, varying from region to region) entry-level Macan to the 750 horsepower all-electric Taycan Turbo S, and span various body types, including coupes, convertibles (also referred to as cabriolets), saloons, cross-overs and SUVs. The Group believes it has positioned each model family to serve a specific segment and aims for a Porsche to be positioned as among the sportiest options in each relevant segment. In 2021, 14% of the Group's Deliveries were BEVs (*i.e.*, Taycan models) and 57% were SUVs (*i.e.*, Macan and Cayenne models). Looking to the future, the Group is currently road-testing the Macan BEV, which the Group plans to begin delivering in 2024, is developing BEV models of the 718 and the Cayenne and expects to extend its product portfolio with a new, fully-electric luxury SUV model and other new BEV models planned for the future.

12.4.1.1 *The 911*

Tracing back to sketches drawn by Ferdinand "Butzi" Alexander Porsche, son of Ferry, in 1959, the Porsche 901 (later renamed the 911) was introduced at the Frankfurt IAA Motor Show in 1963 and was quickly embraced by sports car enthusiasts. Since its market launch as the 911 in 1964, the Group has sold over one million 911s and it is currently in its eighth generation. The core 911 design concept—a two-door, rear engine, six-cylinder flat engine sports car (see "*12.6.1.5 Engine Design*" for more detail on Porsche's "flat six" engine series)—has only been carefully adjusted since its inception. The 911 family has spawned a wide range of model variants since launch, from the iconic 911 Carrera RS 2.7 of the 1970s to the 911 GT1, which won the 1998 24 Hours of Le Mans. The 911 model family is often ranked by major automotive industry news outlets and awards organizations as among the greatest sports car platforms in history, and numerous models have won individual awards throughout the decades. The 911 model family also serves as Porsche Motorsport's GT racing flagship, with the current generation 911 GT3 R having been driven to a first place finish at both the 2018 and 2021 renditions of the 24 Hours Nürburgring, among various other victories.

The current generation of Porsche 911s was introduced in 2019 and consists of over twenty total models, including derivatives. Current generation 911s include coupe, targa and cabriolet/convertible body types. The current generation entry-level 911 Carrera features a six-cylinder twin-turbo boxer engine outputting 379 horsepower enabling it to accelerate at the quickest from 0 to 100 km/h in 4.2 seconds (0 to 60 mph: 4.0 seconds) and reach a maximum top track speed of 293 km/h (182 mph). The highest performing current generation 911 in regular series production, the Turbo S, features a more powerful version of the six-cylinder boxer engine which outputs 640 horsepower enabling it to accelerate at the quickest from 0 to 100 km/h in 2.7 seconds (0 to 60 mph: 2.6 seconds) and reach a maximum top track speed of 330 km/h (205 mph).

The Group Delivered 38,464, 34,328 and 34,800 911s in 2021, 2020 and 2019, respectively. The 911's 38,464 Deliveries in 2021 marked the most 911s delivered in a single year. The 911 was named World Performance Car of the Year at the 2021 World Car Awards, was ranked first in the sports car category by readers of the German trade magazine *auto, motor und sport* in 2021 and 2020, took first place in four categories in the Sports Auto Awards 2021 in Germany, and the Porsche Carrera S (992) was the MotorTrend Best Driver's Car in 2020.

The 911 is principally produced at the Group's manufacturing facilities in Stuttgart-Zuffenhausen. The Group is currently considering introducing sporty hybrid technology for the 911 in the medium-term.

12.4.1.2 *The Taycan*

The Taycan, Porsche's newest model family, is also its flagship BEV offering. Previewed as the Porsche Mission E at the 2015 Frankfurt Motor Show, it was officially named the Taycan in 2018 and launched in 2019. Interest in the Taycan has been high ever since, with around 60% of Taycan buyers being first time

Porsche customers (for the period from the first recorded Taycan buyer to June of 2022). Growing from the Taycan Turbo and Taycan Turbo S models introduced at launch, the Taycan family now spans 14 models across three body variants, with two four-door sport limousine variants, the Cross Turismo and the Sport Turismo, launched in 2021 and 2022, respectively. The Cross Turismo offers a heightened driving posture, enlarged rear luggage compartment and more spacious interior than the Taycan body variant, while the Sport Turismo is similarly more spacious but retains the lower chassis height of the Taycan. Taycan models are available with multiple different driving modes: Range, Normal, Sport, Sport Plus (available depending on the specification) and Gravel (available only in the Cross Turismo), with Range emphasizing efficiency. Taycan models can be equipped with optional sound packages which amplify "traditional" driving noises in the cabin while minimizing certain noises arising from the Electrified Vehicle drivetrain, with the aim of providing an auditory driving experience more similar to that associated with ICEs.

The Taycan was the first series production vehicle in the world designed around an 800 volt electric platform, rather than the 400 volt platform traditionally used for Electrified Vehicles, with the goal of enabling consistently high performance while reducing charging times as compared to 400 volt platforms (rapid charging is possible at up to 270 kW). The Taycan powertrain platform ranges from a rear-wheel drive, up to 240 kW, 321 horsepower specification available on the entry-level four-door saloon Taycan to the all-wheel drive, up to 460 kW/616 horsepower specification available on the Taycan Turbo S. An overboost function combined with launch control increases this range up to 300 kW/402 horsepower for the entry-level Taycan and up to 560 kW/750 horsepower for the Taycan Turbo S, respectively, for a brief period of driving time. The Taycan Turbo S can accelerate at the quickest from 0 to 100 km/h in 2.8 seconds (0 to 60 mph: 2.6 seconds) and reach a maximum top track speed of 260 km/h (161 mph), the top performance across the Taycan family. On August 26, 2019, a pre-series Taycan set what at the time was a record lap time for a four-door Electrified Vehicle at the Nürburgring Nordschleife test track in Germany. The WLTP electric range for model year 2023 Taycan vehicles ranges from 358 to 512 kilometers.

The Group Delivered 41,296, 20,015 and 813 Taycans in 2021, 2020 and 2019, respectively. The number of Taycans Delivered in 2021 surpassed that of Porsche's iconic 911 model family, which also had a very strong year, reflecting the rapid success the Taycan has seen just a few years since launch. The Taycan has received over 35 awards since 2019, including being named the most innovative car globally in 2020 through receipt of the Automotive-INNOVATIONS-Award from the Center of Automotive Management, the World Luxury Car and World Performance Car awards for 2020, What Car?'s 2021 Performance Car of the Year award and the Best Electric Car award at the Sports Auto Awards 2021 in Germany, among other accolades.

The Taycan is principally produced at the Group's manufacturing facilities in Stuttgart-Zuffenhausen.

12.4.1.3 *The Macan*

The Macan is positioned as Porsche's crossover SUV offering and a more compact alternative to the Cayenne. The Macan model family is currently composed of the entry-level Macan, the Macan T, the Macan S and the Macan GTS. The current entry-level Macan features a turbocharged 2.0 liter inline four-cylinder engine outputting 261 horsepower enabling it to accelerate at the quickest from 0 to 100 km/h in 6.2 seconds (0 to 60 mph: 6.0 seconds) (with optional Sport Chrono Package) and reach a maximum top track speed of 232 km/h (144 mph). The highest performing Macan, the Macan GTS, features a twin-turbo 2.9 liter V6 engine outputting 434 horsepower enabling it to accelerate at the quickest from 0 to 100 km/h in 4.3 seconds (0 to 60 mph: 4.1 seconds) (with optional Sport Chrono package) and reach a maximum top track speed of 272 km/h (169 mph).

The Group Delivered 88,362, 78,124 and 99,944 Macan models in 2021, 2020 and 2019, respectively, making the Macan the Group's most Delivered model family in 2021 and 2019. The success of the Macan is reflected in its winning well-known U.S. automotive advice magazine Kelly Blue Book's award for highest resale value in the Best Compact Luxury SUV category every year since and including 2016 and being named What Car?'s Best Sports SUV in 2020.

The Macan is principally produced at the Group's manufacturing facilities in Leipzig, Germany. The test driving of the Macan BEV began in May of 2021 and the Group plans to begin delivering in 2024. The Macan BEV is expected to feature 800 volt electric architecture similar to that of the Taycan with improvements in range.

12.4.1.4 *The Cayenne*

The Cayenne model family, which made its debut in 2002, represents Porsche's first modern foray into SUVs and off-road vehicles. Now in its third generation, the Cayenne model family consists of nine ICE and four

PHEV models. Selected Cayenne models are available in a Platinum Edition, which features a satin platinum paint finish and extra standard equipment. Traditionally featuring a SUV style body, Porsche also introduced a sportier Cayenne Coupe in 2019. The third generation entry-level Cayenne features a turbocharged 3.0 liter V6 engine outputting 335 horsepower enabling it to accelerate at the quickest from 0 to 100 km/h in 5.9 seconds (0 to 60 mph: 5.6 seconds) (with optional Sport Chrono package) and reach a maximum top track speed of 245 km/h (152 mph). The highest performing ICE Cayenne, the Cayenne Turbo GT, which the Group introduced in 2021, features a 4.0 liter twin-turbo V8 engine outputting 631 horsepower, enabling it to accelerate at the quickest from 0 to 100 km/h in 3.3 seconds (0 to 60 mph: 3.1 seconds) and reach a maximum top track speed of 300 km/h (186 mph). On June 14, 2021, the Cayenne Turbo GT set a SUV lap record at the Nürburgring Nordschleife test track in Germany.

Porsche launched the first PHEV Cayenne, the S Hybrid, in 2010, marking the beginning of Porsche's modern push towards electrification in its core product portfolio. The Cayenne model family now features four PHEV models: the E-Hybrid, E-Hybrid Coupe, Turbo S E-Hybrid and Turbo S E-Hybrid Coupe. The E-Hybrid pairs the ICE motor of the entry-level third-generation Cayenne with an electric motor for a combined 455 horsepower and consequently a quicker 0 to 100 km/h and slightly higher top track speed than the ICE entry-level third-generation Cayenne at a lower combined fuel consumption than the ICE version. The WLTP electric range for the Cayenne E-Hybrid ranges from 41 to 44 kilometers. The E-Hybrid's WLTP combined fuel consumption is 3.7-3.1 l/100 km, and its NEDC combined fuel consumption is 2.5-2.4 l/100 km.

The Group Delivered 83,071, 92,860 and 92,055 Cayenne models in 2021, 2020 and 2019, respectively, making the Cayenne the most Delivered model family in 2020. The Cayenne model family has accumulated a number of accolades, including Sportiest SUV at the Sports Auto Awards 2021 in Germany for the Cayenne Turbo Coupe, Kelly Blue Book's award for best resale value—Luxury Midsize SUV 2-Row in 2020 and Car and Driver Editor's Choice in 2019.

The Cayenne is principally produced at the Volkswagen Group's multi-brand production facility in Bratislava, Slovakia. From May of 2022, a Cayenne model has been assembled at a third-party assembly facility in Kulim District, Kedah, Malaysia.

12.4.1.5 *The Panamera*

The idea of a "Porsche for Four" pervaded engineering departments at Porsche for decades, with various concepts developed over the years culminating in the presentation of the Panamera at a Porsche press conference in Shanghai in 2009. Now in its second generation, the Panamera model family consists of seven engine variants across three different body types. The Panamera sits within the mid-/full-size part of the luxury segment, with rear-wheel and all-wheel drive versions available. The entry-level second generation Panamera features a 2.9 liter twin turbo V6 engine outputting 325 horsepower, enabling it to accelerate at the quickest from 0 to 100 km/h in 5.6 seconds (0 to 60 mph: 5.3 seconds) and reach a maximum top track speed of 270 km/h (168 mph), while the highest performing ICE Panamera, the Panamera Turbo S, features a 4.0 liter twin turbo V8 engine which outputs 620 horsepower, enabling it to accelerate at the quickest from 0 to 100 km/h in 3.1 seconds (0 to 60 mph: 2.9 seconds) and reach a maximum top track speed of 315 km/h (196 mph).

Following on the success of the Group's first hybrid vehicle, the Cayenne Hybrid S, the Group introduced the full hybrid Panamera, the S Hybrid, in 2011. In the Group's view, the Panamera S Hybrid was at that time the world's first parallel hybrid in the luxury class, and was the most fuel efficient Porsche to date as a function of performance, with a NEDC fuel consumption of 6.8 l/100 km (depending on tires equipped) despite its 380 combined horsepower. Of the current generation, Panamera 4, 4S and Turbo S models are available as PHEVs. Following the design trend of matching high performance with fuel economy started by the Panamera S Hybrid, the current generation entry-level Panamera 4 E-Hybrid pairs the powerful V6 ICE motor of the entry-level ICE Panamera with an electric motor for a combined 455 horsepower, which it uses to achieve a 0 to 100 km/h of 4.4 seconds (0 to 60 mph: 4.2 seconds) at the quickest and reaching a maximum top track speed of 280 km/h (174 mph). Despite these impressive figures, the Panamera 4 E-Hybrid has a WTLP combined electric range of 49 to 56 kilometers, a WLTP combined fuel economy of 2.5-2.0 l/100 km and a NEDC combined fuel economy of 2.2-2.1 l/100 km.

The Group Delivered 30,220, 25,051 and 32,721 Panameras in 2021, 2020 and 2019, respectively. The Panamera has won numerous accolades, including *Bild Am Sonntag* and *Auto Bild*'s winner in the Mid-Range and Executive Cars category of the 2021 Golden Steering Wheel and Kelly Blue Book's best resale value: high-end luxury car for every year since and including 2016.

The Panamera is principally produced at the Group's manufacturing facilities in Leipzig, Germany.

12.4.1.6 *The 718*

Building on the roots of the first official Porsche—the 356 "No.1" Roadster of 1948—and numerous other famous Porsche mid-engine roadsters, the Porsche Boxster (a portmanteau of boxer, referring to the 911's flat or boxer engine, and roadster, the vehicle body type) was introduced in 1996 as part of a commercial turnaround for Porsche. The agile, mid-engine two-seater provided Porsche with a new market due to a comparatively lower starting price than the 911 and due to the targeting of a new, younger, customer group. Following on the success of the first generation of the Boxster, the Group launched a second generation in 2005, which included the introduction of the Cayman, a fastback coupe sharing the same mid-engine platform and several component parts. While envisioned as a lifestyle product, versions of the Cayman have also taken part in various motorsport championships.

The fourth generation of the Boxster and Cayman, which launched in 2016, saw '718' added to both model lines, a nod to Porsche's racing history. In 2021, the Group also launched an anniversary model of the Boxster, the Boxster 25 years, marking the 25th anniversary of the model line. The current generation entry-level 718 Boxster and Cayman models share a four-cylinder turbo boxer engine outputting 300 horsepower, enabling them to accelerate at the quickest from 0 to 100 km/h in 5.1 seconds (0 to 60 mph: 4.9 seconds) and reach a maximum top track speed of 275 km/h (170 mph). Introduced in 2021, the top performer in this model family is the 718 Cayman GT4 RS, which utilizes a flat six-cylinder naturally aspirated engine outputting 493 horsepower to accelerate at the quickest from 0 to 100 km/h in 3.4 seconds (0 to 60 mph: 3.2 seconds) and reach a maximum top track speed of 315 km/h (196 mph).

The Group Delivered 20,502, 21,784 and 20,467 718 models in 2021, 2020 and 2019, respectively. Among other accolades, the 718 model family was named one of Car and Driver's 10 Best in 2019 and awarded Car and Driver's Editor's Choice in 2019 and the Cayman GTS 4.0 won What Car?'s 2021 Sports Car of the Year.

718 models are principally produced at the Group's manufacturing facilities in Stuttgart-Zuffenhausen. As a result of high demand for Group vehicles and the complexity of preparing the Stuttgart-Zuffenhausen site for upcoming BEV models of the 718, remaining ICE 718 models are planned to be produced by the Group at the Volkswagen Group's multi-brand production facility in Osnabrück, Germany, starting from the middle of 2023. The Group intends to transition the 718 family to BEV models in the medium term.

12.4.2 Limited Editions

From time to time, the Group produces limited editions of models within the six model families, such as the aforementioned Boxster 25 years, to, among other things, commemorate anniversaries and pay homage to events, individuals or heritage Porsche vehicles. The Group views these limited editions as helping to shape the Porsche brand while also being particularly profitable. Recent examples of Porsche limited editions, their production numbers and base prices are included below:

Model and Year	Units Produced	Base Price(1)
		(EUR thousands)
911 Sport Classic (2022)	1,250(2)	276(3)
911 Targa 4 GTS 50 Years Porsche Design (2021)	750	186
911 Targa 4S Heritage Design (2020)	992	183
911 Speedster (2019)	1,948	269
911 Turbo S Exclusive Series (2017)	500	260
991 R (2016)	991	190

Notes:

(1) Excluding further customization; based on German list prices including value added tax.

(2) Planned.

(3) Initial price.

12.4.3 Supercars and Hypercars

Outside of motorsport, Porsche has produced various supercars and hypercars, *i.e.*, limited-production street legal sports cars of the highest level of performance, including the Porsche 959 of the 1980s, the Porsche 911 GT1 *Straßenversion*, the Porsche Carrera GT of the early 2000s and, perhaps most well-known, the Porsche 918 Spyder, a PHEV hypercar, a version of which was the first street-legal production car to break the 7-minute mark at the Nürburgring Nordschleife test track in Germany in 2013. The Group produced 918 units of the 918 Spyder during its production run, selling every one, with models sold in Germany carrying a base price of EUR 768,000 (as of 2010, excluding further customization and including value added tax) and some units obtaining significantly higher prices at auction in the years after its introduction. See also "*12.9.4 Bugatti Rimac*".

12.4.4 Porsche Classic; Porsche Exclusive Manufaktur

In addition to the Group's core portfolio, Porsche offers customers unique opportunities for classic Porsche vehicles. Under the Porsche Classic sub-brand, the Group maintains a stock of around 60,000 different genuine parts ("**Porsche Classic Genuine Parts**"), which underpins a series of Porsche Classic repair services, including body repair, paint services, interiors and dent and hail damage repairs. Porsche Classic maintains restoration shops in Stuttgart and Atlanta, where Porsche mechanics serve to use original special tools, body frame gauges and data sheets to preserve the unique heritage of a Porsche classic car while making modern upgrades such as cathodic dip coating baths for corrosion protection. Most Porsche models going back to the Porsche 356 can be restored, with service offerings including not just partial vehicle restoration but also engine and transmission restoration. Porsche Classic Genuine Parts and services for classic Porsche vehicles are generally available to customers through the Group's network of Authorized Dealers. Additionally, as of June of 2022, the Porsche Classic sub-brand works with around 80 Authorized Dealer partners worldwide that are specially trained and equipped to handle classic Porsche vehicles. In 2021, the Porsche Classic sub-brand generated approximately EUR 150 million in sales revenue.

Further, through the Exclusive Manufaktur sub-brand, Porsche offers a wide range of options for individualization, most of which are incorporated into the Group's Porsche Configurator (see "*12.5.3 Porsche Brand; Porsche Communities"*) and thus available through Porsche dealerships. For an even further customized Porsche, customers can engage in co-creation and customization of a Porsche vehicle beyond that which can be done through traditional vehicle orders. Operating principally out of the Stuttgart-Zuffenhausen site, customers can schedule personal consultations at the Stuttgart-Zuffenhausen factory with experts on the full array of Porsche's vehicle models and options. Customers are then offered enhanced personalization options to develop their desired Porsche vehicle down to the stitching in the seats. As of June of 2022, the Porsche Exclusive Manufaktur sub-brand works with around 100 Authorized Dealer partners worldwide. In 2021, Porsche Exclusive Manufaktur generated approximately EUR 750 million in sales revenue.

12.4.5 Porsche Motorsport

Porsche Motorsport designs and builds powertrains and vehicles for use in and participates in various racing competitions, including Formula E by way of the TAG Heuer Porsche Formula E team, GT Works racing in the World Endurance Championship ("**WEC**"), customer racing in various GT races and the Nürburgring 24 Hours via multiple customer teams, including the Manthey customer team ("**Manthey**"). Further, Porsche announced in May of 2021 that it would work with Team Penske, an American professional racing team, to compete in major endurance racing series around the world, starting in the 2023 season.

Porsche Motorsport has a long heritage of racing success, including a record 19 overall wins at the 24 Hours of Le Mans, including consecutive victories in 2015, 2016 and 2017 with the Porsche 919 Hybrid and 110 class victories, three consecutive WEC manufacturers' and drivers' titles in 2015, 2016 and 2017, a record 18 victories in the 12 Hours of Sebring, 18 victories in the Daytona 24 Hours, 13 victories in the Nürburgring 24 Hours and the recent historic one-two finish by the TAG Heuer Porsche Formula E team at the 2022 Mexico City E-Prix in February of 2022.

Principally operating out of the Group's Weissach site, Porsche Motorsport employs approximately 500 employees. The Group has manufactured approximately 6,500 race cars as of June of 2022 and earns on average EUR 200,000 in revenue per sale of a Porsche race car (based on 2021 financial information).

The Group recently announced that negotiations relating to a proposed partnership with Red Bull GmbH for Porsche's re-entry into Formula One racing have been concluded without an agreement between the parties. Nonetheless, the Group believes that, especially in light of the new regulations passed by the *Fédération Internationale de l'Automobile* racing association (the "**FIA**"), Formula One remains an attractive arena for the Group which it will continue to monitor closely and as to which it will consider its strategic options.

The following provides an overview of certain of the major racing series in which Porsche Motorsport is active, including external and Group-organized series (such as the Porsche Supercup).

Formula E

Formula E serves as the single-seater electric car motorsport championship of the FIA. The Group has competed in Formula E since the start of the 2019–2020 season by way of a cooperation with TAG Heuer

("**TAG**") known as the TAG Heuer Porsche Formula E Team, with TAG serving as title and timing partner. The TAG Heuer Porsche Formula E Team's entry in the 2019–2020 season, the Porsche 99X Electric, was a significant developmental milestone for the Group, combining the Group's heritage of high performance racing vehicles with the Group's focus on environmental sustainability. Early successes in Formula E culminated in a historic one-two finish at the 2022 Mexico City E-Prix in February of 2022. On May 16, 2022, Porsche Motorsport announced that it would be collaborating with the Avalanche Andretti customer team to field two additional 99X Electric racers, with Porsche also providing technical support. The collaboration will run for at least two seasons.

GT

Porsche Motorsport has been and remains active in GT racing championships around the world, including various Le Mans series. The Porsche GT Works team competes in the FIA WEC, including the 24 Hours of Le Mans, and Porsche Motorsport supports customer racing with Porsche vehicles. The Porsche 911 is among the most common platforms across GT racing, with the Porsche GT Works team starting the 2022 season of the WEC with the 911 RSR and the 911 GT line of models serving as Porsche's flagship across the rest of GT racing. Porsche customer teams achieved numerous victories in 2021, including winning both GT classes in the 12 Hours of Sebring, and Porsche won the manufacturers' title in the GTD class and the IMSA Michelin Endurance Cup. In 2021, the Porsche GT Works team won WEC races in Spa-Francorchamps, Monza and Bahrain and finished second in the manufacturers' championship. In June of 2022, the Porsche GT Works team celebrated a historic win at the 24 Hours of Le Mans.

Nürburgring 24 Hours

Porsche Motorsport competes in the Nürburgring 24 Hours through multiple customer teams, including Manthey. In 2021, Manthey, fielding a Porsche 911 GT3 R, won the team's seventh Nürburgring 24 Hours victory, a record number for a team. The victory marked the 13th time a Porsche vehicle was driven to victory in the historic race.

Porsche Supercup

Since 1993, Porsche has hosted a racing series known as the Porsche Supercup in conjunction with and prior to FIA Formula 1 races. The Porsche Supercup brings together the best international Porsche one-make cup customer teams, which compete against one another in identical vehicles (currently, the Porsche 911 GT3 Cup), meaning that victory comes down to vehicle control, track knowledge, driver determination and courage, team engineers and performance set-up. The Group views the Porsche Supercup as a springboard for young talent, with previous rookie classification victors securing positions at the 24 Hours of Le Mans as a result.

Porsche Penske Motorsport

In May of 2021, the Group announced that Porsche Motorsport would be partnering with Team Penske, an American racing team, to form Porsche Penske Motorsport, which intends to compete in the top class of WEC and the North American IMSA WeatherTech SportsCar Championship, starting from the 2023 season. Porsche Penske Motorsport plans to, through the Group's research and development center at Weissach, design and build *Le Mans Daytona h* (LMDh) prototypes for competition. These prototypes are also expected to be provided to Porsche customer teams in the future.

GT Roadcars

Porsche Motorsport also plays an active role in the development of the Group's GT roadcars, *i.e.*, street-legal vehicles featuring racing level performance, components, handling and design, as Porsche Motorsport is uniquely positioned to help guide the transition of motorsport technologies and innovations "from the racetrack to the road". Examples of such vehicles include the 904 Carrera GTS of the 1960s, street-legal models within the 911 GT series as well as the current-generation 718 Cayman GT4 RS.

Performance, Design and Sustainability

Ambition in performance, design and sustainability is the core of Porsche Motorsport, from the Porsche 917, the icon endurance race car of the 1970s and winner of Porsche's first 24 Hours of Le Mans in 1970 (as well as in 1971), to the Porsche 919 Hybrid, one of the most successful endurance race cars of the mid-2010s and a pioneer in petroleum-electric racing platforms—in 2018, a modified 919 Hybrid broke a single lap record at the

Nürburgring Nordschleife race circuit that had stood for over 35 years (and was previously held by Stefan Bellof, driving a Porsche 956 C).

Porsche Motorsport is committed to continuing to push sustainable technological achievement in racing. In September of 2021, Porsche Motorsport unveiled its Mission R concept study, a fully-electric, 1,088 horsepower competition concept car combining cutting-edge technologies and sustainable materials. The result is a vehicle which can achieve a 0 to 100km/h in 2.5 seconds, a top speed of over 300 km/h and charge from 5% to 80% in around 15 minutes, all with lower emissions than a traditional ICE racing car.

In addition to pushing the envelope on sustainable racing cars, Porsche continues to advance the introduction of alternative fuels (including e-fuels) as a potential method of decarbonizing automobiles through motorsport as well. In 2021, the Group introduced biofuels in the Porsche Supercup, with the aim of testing these under harsh motorsport conditions. Data derived from these tests is intended to be used in the further development of these fuels both in motorsport and series production vehicles. Should the introduction of these biofuels be successful, the Group's goal is, by the start of the 2023 season, to introduce e-fuels in the Porsche Supercup.

12.4.6 Porsche Financial Services

The Group's reportable segment Financial Services was originally established with the premise of providing integrated, premium financial products to Porsche customers and to assist the Group's sales and marketing efforts. As such, Financial Services works closely with the Automotive segment as well as other functions within the Group. Financial Services has entities in 15 markets and is directly active in around 18 markets worldwide, covering most of Porsche's key markets, with involvement in additional markets through cooperations with the Volkswagen Group and other third parties, and focuses its product offerings on three pillars: retail and wholesale leasing and financing, insurance and service contracts and flexible mobility services. The Group's Financial Services operating profit was EUR 216 million in H1 2022 compared to EUR 151 million in H1 2021, and EUR 313 million, EUR 191 million and EUR 198 million in 2021, 2020 and 2019, respectively. In addition, the Group's Financial Services Return on Equity before Tax was 21.2%, 14.7% and 16.7% for 2021, 2020 and 2019, respectively.

In retail and wholesale leasing and financing, Financial Services offers, either directly or through relationships with bank entities, leasing and financing products to consumers and Authorized Dealers. In the case of retail offerings, many of these products are bespoke and tailored to the needs of individual customers, and, depending on the market and leasing product, may have a purchase option at the end of the term. In addition, Financial Services' wholesale business provides funding for dealer inventory to Authorized Dealers.

As of December 31, 2021, Financial Services' active contracts (both managed and cooperation business markets) consisted of approximately 40% lease contracts, approximately 50% loan contracts and approximately 10% hire purchases. Approximately 80% of these contracts were attributable to new vehicles, with the remaining 20% attributable to used vehicles.

In the area of insurance and service contracts, Financial Services offers insurance intermediation services such as comprehensive automobile risk coverage for retail customers in cooperation with insurance partners as well as additional products such as protection plans, with the availability of and exact products and terms offered varying based on the relevant jurisdiction. Financial Services also intermediates warranty insurances and offers service contracts.

Financial Services also, in cooperation with local Authorized Dealers, operates the Group's flexible mobility offerings, *i.e.*, subscription and rental products by which customers can rent a Porsche vehicle or vehicles for a specific period of time. See "*12.4.8 Mobility Services*" for more information. The Financial Services segment also plays a role in the management of the Group's real estate. Further, Financial Services offers consulting services to Porsche importers and other parties associated with the Group.

12.4.7 Aftersales Products and Services

In addition to financial services, Porsche offers a series of products and services to customers following the purchase of a Porsche car. Porsche's Authorized Dealers generally provide traditional maintenance and repair services at or near points of sale, while the Group itself offers a growing range of digital services and solutions to its customers to enhance the Porsche experience and meet their growing expectations of a high level of digitalization across Porsche products. Porsche views aftersales products and services as very important to maintaining customer enjoyment of the experience of owning a Porsche, and thus works closely with Authorized Dealers around the world to ensure the highest levels of quality and customer service.

My Porsche

Through an omnichannel (*i.e.*, accessible through an app and an online portal) customer ecosystem known as "**My Porsche**", Porsche owners can arrange appointments, make digital plans to drop off a vehicle, tailor the navigation, entertainment and information functions of their Porsche, and retrieve information such as vehicle location, fuel and oil levels, mileage, tire pressure and charging status. Further features of My Porsche include the ability to track a Porsche vehicle from order to delivery, to chart journeys in respect of travel time, to view average speed and fuel consumption, to track when a replacement of a part or service is imminent, to connect directly with Porsche dealers and support services and to link My Porsche with an Apple Music account to use Apple Music in a Porsche car, among many others, with the exact extent of services offered through My Porsche being dependent on the relevant market.

A fairly recent development in the My Porsche customer ecosystem has been the roll-out of a video-based vehicle check service, whereby Porsche service consultants record pre-maintenance inspections and any work needed on a vehicle by video. Customers can then review the videos and the proposed repairs and approve them directly through My Porsche. This service is available in approximately 50 markets. Porsche's ongoing goal with respect to My Porsche is for it to serve as a core solution which consolidates a range of smart mobility, e-performance and digital customer care services which were previously offered through various apps and networks. In China, Porsche offers a version of My Porsche and an in-vehicle app store tailored for that market.

The Group plans to continue to work with leading software players such as Apple Car Play and Android Auto in the future.

Charging Solutions

For Porsche Electrified Vehicle customers, the Group offers a Porsche Charging Service consisting of both an app as well as interfaces to help customers connect to over 275,000 third-party charging stations around the world, including in over 20 European countries, the United States and China. In the United States, Canada and other markets, the Porsche Charging Service offers compatibility with major public charging networks in these countries (such as charging stations operated in the United States by Electrify America). The Group also offers a local version of the Porsche Charging Service for customers in China, and, as of June of 2022, operated over 100 Group-owned stations in China. Porsche customers can use the Porsche Charging Service App to pay for charging directly in many cases.

Porsche also offers Porsche Destination Charging, which provides Group-branded AC charging points at select hotels, restaurants, shopping centers, sports clubs and marinas. There are currently more than 4,000 of such charging points at over 2,000 luxury destinations in more than 78 countries, and guests of these destinations who drive an Electrified Vehicle of the Group can benefit from free charging. Porsche Turbo Charging stations, tailored for use by Taycan customers (as well as customers of future Porsche vehicles based on 800 volt charging architecture), are available at many dealerships. The Porsche Charge Map, available in Porsche Electrified Vehicles and online, can be used by customers to find an appropriate charging site. Porsche also offers various solutions for charging Electrified Vehicles at home, including Porsche charging docks and pedestals and related installation services, external consulting on whether a home electrical network is suitable for Electrified Vehicle charging and integrated energy management systems designed to protect home electrical networks while they are being used to charge an Electrified Vehicle.

Looking to the future, in March of 2022, Porsche announced that it would be developing its own proprietary charging network in Europe, with first stations planned to open in 2023. The Group currently plans to open up to 100 own stations in Europe as part of this network. Additionally, IONITY plans to expand its network to more than 1,000 stations by 2025, and Electrify America plans to expand its network to more than 1,800 stations by 2026.

12.4.8 Mobility Services

Through the Porsche Drive sub-brand, the Group offers flexible mobility solutions which allow Porsche cars to be rented for various periods of time. While the exact rental terms and conditions vary by market, in general, for rental periods lasting at least a month, Porsche Drive Subscription offers an all-inclusive experience allowing customers to rent newly used cars. For rental periods from three hours to 28 days, Porsche Drive Rental allows customers to choose a vehicle from among the latest Porsche models. Porsche customers in certain markets are additionally offered the option to subscribe monthly to a fleet of Porsche vehicles, allowing them to swap between different models. The rental price includes most costs associated with the vehicle, including insurance, maintenance and concierge delivery, except for refueling and charging costs. Prospective customers must meet certain age, driving history and other eligibility criteria.

Porsche's Financial Services segment, together with the relevant Authorized Dealer(s), administers these offerings. In addition to offering customers an alternative to private vehicle ownership, the Group views the Porsche Drive sub-brand as a potential entry to the larger Porsche brand for new customer groups.

12.4.9 Porsche Subsidiary Business Activities

In addition to its core automotive business, the Group has activities in various other established business fields through its subsidiaries.

12.4.9.1 *Porsche Consulting*

Porsche Consulting GmbH ("**Porsche Consulting**"), a subsidiary of the Company, was founded in 1994 as a management consultancy. Porsche Consulting built on competencies developed by the Group during a major restructuring of the Company in the 1990s to deliver this expertise to external clients in a wide range of industries. Over the years, Porsche Consulting has, in the Group's view, become one of the leading strategy consultancies, with a strong focus on implementation. Today, Porsche Consulting has offices in Stuttgart, Hamburg, Berlin, Munich and Frankfurt, as well as international sites in Milan, Paris, Sao Paulo, Atlanta, Palo Alto, Beijing and Shanghai. Porsche Consulting offers its services to companies in the automotive sector as well as those involved in aviation, aerospace, transportation, industrial goods, construction, consumer goods, retail, financial services and life sciences, with the aim of collaborating with clients to develop and implement corporate strategies. Porsche Consulting focuses on pragmatic and people-oriented solutions to corporate challenges. Porsche Consulting views topics such as sustainability, AI and change management as important areas of growth for it going forward. As of December 31, 2021, Porsche Consulting employed approximately 720 employees from a wide variety of backgrounds.

12.4.9.2 *Porsche Digital*

Porsche Digital GmbH ("**Porsche Digital**"), a subsidiary of the Company, was founded in 2016 with the aim of identifying and scaling new digital business models. Focusing on digital products and services for the Group's customers within and around their vehicles, Porsche Digital has since developed into a key partner for the Group's digital transformation. Porsche Digital, together with the Group, has designed, developed and brought-to-market digital solutions for online car sales, omnichannel commerce and mobility solutions. Using its global development teams, Porsche Digital aims to adapt these solutions to regional customer requirements and partner ecosystems. These capabilities are also used to work with global tech partners to integrate Porsche vehicles into customers' digital ecosystems and to innovate further car-related solutions. Porsche Digital also works closely with other Group companies to tap into the global start-up ecosystem with the aim of fostering innovation and promoting business model scaling. Porsche Digital employs approximately 300 employees working at nine innovation and technology hubs worldwide, including at its headquarters in Ludwigsburg, as well as further sites in Germany, the United States, China, Spain, Croatia and Israel.

12.4.9.3 *MHP*

Founded in 1996 by Dr. Ralf Hofmann and Lutz Mieschke, and since 1998 a member of the Group, MHP Management und IT Beratung GmbH (**"MHP"**), provides management and IT consulting services, with a focus on the manufacturing and mobility industries and on the transfer of strategic innovations from those industries to others. MHP has served clients in providing integrated management expertise to develop factories more efficiently, to streamline and improve the success of digital business processes, perform strategic reviews of go-to-market approaches and site expansion for production companies, among many others. Further, MHP has expertise in software developed by SAP, including the latest business suites, and develops software in-house. Headquartered in Ludwigsburg, Germany, MHP has further subsidiaries in China, Romania, the UK and the United States. As of December 31, 2021, MHP employed over 3,300 employees worldwide.

12.4.9.4 *Porsche Lifestyle Group*

The Porsche Lifestyle GmbH & Co. KG (the "**Porsche Lifestyle Group**"), a subsidiary of the Company, was founded in 2003 when Dr. Ing. h.c. F. Porsche AG, Stuttgart, and Porsche Design Management GmbH, Salzburg combined their merchandizing activities, design and licensing business into the Porsche Lifestyle Group. The Porsche Lifestyle Group is active in the distribution of accessories, apparel and sporting goods in the design and licensing business with the mission of offering Porsche lifestyle products beyond Porsche vehicles and in doing so transferring the fascination and the myth that is Porsche to different areas of life. The Porsche Lifestyle Group comprises three brands: "**Porsche Design**", "**Porsche Lifestyle**" and "**Studio F. A. Porsche**". While sharing the same DNA and heritage, each has a distinct brand profile and business model. The Porsche Lifestyle Group employs approximately 300 employees across offices in Europe, North America and Asia.

Porsche Design is an exclusive design brand driven by its passion for form and function. It was formed in 1972 by Ferdinand Alexander Porsche and stands for engineered passion across its product portfolio of exclusive timepieces, eyewear, bags & luggage, sportswear, electronics and real estate, among others.

Porsche Lifestyle (formerly known as "Porsche Driver's Selection") is the exclusive accessory brand of Porsche. The essence of the sports vehicle manufacturer and its motorsport origins live in every product and is intended to make drivers and fans a part of the Porsche Lifestyle community.

Studio F. A. Porsche is the reference for innovative design solutions based on the unique design philosophy of Professor Ferdinand Alexander Porsche. The design studio is a wholly-owned subsidiary of Porsche Lifestyle GmbH & Co. KG based in Zell am See, Austria, with offices in Berlin, Los Angeles and Singapore. It aims to create value for its clients by developing innovative designs by standing for the perfect symbiosis of form and function. Studio F. A. Porsche was named the Design Team of the Year for 2021 by Red Dot, a design competition.

12.4.9.5 *Porsche Engineering*

Porsche Engineering Group GmbH ("**Porsche Engineering**"), founded in 2001, offers high quality and innovative engineering services to external clients from a wide range of industries around the world. Tracing its roots back to Ferdinand Porsche's early work as an engineering consultant, Porsche Engineering now employs approximately 1,500 employees with locations in Germany (including Porsche Engineering's headquarters in Weissach), the Czech Republic, Romania, Italy and China. Leveraging its connection to the Group, Porsche Engineering's core competency is advising on vehicle development from early designs to series production, including preparing initial concepts and construction designs, conducting simulations, designing software, testing and advising on industrialization. Further core services include developing new technologies for vehicle bodies and consulting on vehicle electrics and electronics and chassis and powertrain development. Porsche Engineering also provides project management, procurement and supplier management and launch management and series support, among other supporting services.

12.4.9.6 *Porsche Werkzeugbau*

Tracing its roots back to mining activities in the late 1800s, Porsche Werkzeugbau GmbH ("**Porsche Werkzeugbau**"), a subsidiary of the Company since 2015, principally develops press tools for the production of vehicle body parts, including for side sections, doors, flaps, wings and roofs across a wide variety of materials. These press tools can be developed and manufactured for sheet metal parts as well as tailor-welded blanks and tailor-rolled blanks. Porsche Werkzeugbau also manufactures mechanized handling equipment to accompany press tools as well as inspection gauges and measuring fixtures. Porsche Werkzeugbau also offers plant engineering thanks to its high expertise in automation, and aims to expand into the field of battery module assembly. Porsche Werkzeugbau employs around 650 employees, with locations in Germany (including Porsche Werkzeugbau's headquarters in Schwarzenberg) and Slovakia.

12.4.9.7 *Porsche Financial Services GmbH*

See "*12.4.6 Porsche Financial Services*".

12.5 Sales and Marketing

12.5.1 Overview

Porsche sells cars in more than 120 countries worldwide and has a network of more than 850 Authorized Dealers operating more than 900 Porsche Centers worldwide as of June of 2022. With respect to the significant majority of its sales volume, the Group sells its vehicles directly to Authorized Dealers in wholesale transactions, who then on-sell to prospective purchasers. The Group also directly owned approximately 30 dealerships in 10 markets as of July 31, 2022, including key metropolitan areas such as Shanghai and London, through the Porsche Own Retail brand, which Porsche views as better enabling it to perceive market trends at an early stage and adapt to these trends quickly. Porsche's global sales department ("**Porsche Sales**") manages these Authorized Dealers. Approximately 200, 160 and 100 of the Group's physical retail sites (including

Group-owned and Authorized Dealer-owned dealerships as well as other non-dealership retail sites) are located in the United States, China and Germany, respectively. Porsche offers direct sales to customers of certain services and add-ons and expects to do so going forward for charging solutions such as the planned proprietary Porsche charging network (see "*12.4.7 Aftersales Products and Services*").

The Group also plays an active role in the sale of new and used Porsche vehicles, connecting prospective purchasers with Authorized Dealers through user-optimized IT system platforms known as "**Porsche Marketplace**" and "**Porsche One Sales**" (see below for more information) and in many markets administering the Porsche Approved Pre-Owned Cars program, by which the Group certifies the quality of certain used Porsche vehicles and offers an approved warranty at a comparable scope as that associated with new vehicles.

In general, Porsche does not directly own dealerships, except as described above. In major markets, Porsche owns the distributor/importer or acts directly in these roles for its vehicles. Authorized Dealers are carefully selected based on candidates' reputation, financial condition and track record, as well as the ability to provide an in-store experience, to market and promote Porsche cars in line with the Porsche brand and to achieve and maintain high levels of client satisfaction. Porsche works closely with new and existing Authorized Dealers to ensure various standards are met, including design, layout and brand identity guidelines. Authorized Dealers receive training and are monitored operationally and financially to ensure customer interactions occur in line with Porsche standards and to prevent or mitigate financial difficulties. Further, the Group actively reviews the composition of its dealer network, with a view to ensuring that no single dealer organization is responsible for a disproportionate amount of the Group's sales volume in the relevant jurisdiction, including in connection with the approval of new franchises.

Porsche provides a MSRP or a maximum retail price (where legally possible) for any specific vehicle to its importers or dealers, but each dealer is ultimately able to negotiate different prices with prospective purchasers and offer financing options. See also "*12.4.6 Porsche Financial Services*".

For information on Porsche customers, see "*12.2.3 Superior customer experience*".

12.5.2 Destination Porsche; Porsche One Sales and Digitalization

As part of its Destination Porsche concept, Porsche Sales is currently rolling out a global initiative to revamp physical Porsche sales sites in a more modern, customer-engaging manner. This concept had been implemented at 43 Porsche Centers by the end of 2021, with 600 more sites targeted for revamp by 2030. Further, Porsche is rolling out new retail formats, such as new urban formats such as Porsche Studios and Porsche pop-ups. Porsche Studios are primarily found in heavily frequented city centers and have a focus on the Porsche brand experience, with a showroom, fitting lounge where vehicles can be configured and ordered and the possibility for interested customers to take test drives. Porsche is targeting for approximately 30 Porsche Studios to exist worldwide by 2023. While Porsche Studios are fixed sites, Porsche pop-ups are used as limited period retail locations featuring display cars, Porsche merchandise and virtual reality applications, among others. Porsche pop-up locations have opened in South Korea, Switzerland, Brazil, Germany, Japan, Canada and Taiwan, among other locations.

Porsche Sales is a significant player in Porsche's move towards greater digitalization, which the Group views as a key part of a luxury customer experience. Porsche Sales' involvement includes assisting in the development of Porsche Marketplace, which Authorized Dealers use to offer new and used cars reservable online. Porsche Marketplace is now available in around 100 markets around the world, with customers in 28 European countries, the United States, Canada, Japan, Taiwan and Australia being able to use Porsche Marketplace to reserve Porsche vehicles directly online. From January to May of 2022, Porsche Marketplace had on average 1.5 million individual visitors per month across its various points of access.

Further, Porsche Sales has helped digitalize the sales process at dealerships through the Porsche One Sales platform. Porsche One Sales is an integrated, user-optimized IT system that combines the various sales steps together in a single interface, allowing greater connectivity between employees of Authorized Dealers and prospective customers. Porsche One Sales has been rolled out in Germany, Switzerland and France, is currently in a pilot phase in the U.S. market and is in the process of being rolled out in China.

Porsche Marketplace has helped lead the way in expanding Porsche's online sales volume. Collaboration with Porsche dealers has led the number of vehicles sold through Porsche Marketplace to increase from approximately 1,700 new or used vehicles in 2020 to approximately 5,800 in 2021, and the Group estimates that up to 25% (with variation depending on the region) of its sales may be generated online (and later completed by an Authorized Dealer) by 2025.

The Porsche website, as well as its additional feature, Porsche Configurator, where prospective customers can create their own unique Porsche, also serve as valuable tools for attracting customers, with on average approximately 6.8 million individual visitors per month from January to May of 2022 (across the whole Porsche website ecosystem). The Group is also active on social media, with the primary Porsche handle having approximately 27 million Instagram followers as of June of 2022.

Furthermore, the Group is increasingly prioritizing the use of AI, with a single customer relationship management data pool driving AI services in sales and marketing. As of June of 2022, this system contained entries for 2.7 million registered customers, and as of July of 2022 hosted approximately 1.6 million Porsche IDs. With this function, the Group aims to improve the sense of intimacy the Group can offer customers by deepening the Group's customer knowledge base, identify high churn probability customers and implement measures to help retain them, increase the sales value per car through personalization recommendations and personalize real-time offerings based on vehicle availability. For example, the Group estimates that these efforts have led to on average higher sales values per car (based on the average delta in 30 countries between configurations with and without AI-driven recommendations, for the period from January to June of 2022). As of June of 2022, the Group employed over 1,000 tech experts at the Company and Porsche Digital.

12.5.3 Porsche Brand; Porsche Communities

The Group believes the iconic Porsche brand is synonymous with design and engineering heritage, performance, modern luxury, prestige, innovation, technological achievement and reliability. The Group assesses the Porsche brand from several perspectives, including product design (see "*12.6.1 Porsche Vehicle Design*"), brand elements and corporate design, digital design, content and communication, behavior and tonality, the activities of its various subsidiaries (see "*12.4.9 Porsche Subsidiary Business Activities*"), branded goods and sponsoring (see "*12.5.4 Porsche Brand Extensions*") and customer experiences (see "*12.5.2 Destination Porsche; Porsche One Sales and Digitalization*").

An important brand engagement tool for the Group is Porsche Experience Centers, of which there are nine currently in operation, with a tenth, in Toronto, Canada, currently under development with a planned open date in 2024. Porsche Experience Centers typically include a drive track, historical vehicle exhibition, store and other customer experiences. The Group believes these sites provide customers a unique brand and product experience.

Further, the Porsche Museum in Stuttgart-Zuffenhausen, which opened in 2009, allows visitors a unique experience to see, as of June of 2022, around 100 Porsche heritage-celebrating cars and exhibits, with 80% of these heritage cars (*i.e.,* excluding cars marked as exhibits such as concept cars, test vehicles and prototypes) being ready for driving. The Porsche Museum is another important brand engagement tool for the Group, with over five million people having visited since opening.

The Group has an active customer and fan community. The Group supports numerous Porsche Clubs, including several Porsche Classic Clubs, which provide an opportunity for enthusiastic drivers of Porsche vehicles to meet. According to reports from those clubs, during the period from 2017 to 2022 there were over 700 independently managed Porsche Clubs globally, with more than 240,000 members as of 2022. Recently, these clubs celebrated the 70th anniversary of the founding of the first Porsche club on May 26, 1952. In addition to fan clubs supported by the Group, there are many online and in-person Porsche enthusiast groups around the world.

The Group views these communities and events as providing customers and fans with unique Porsche experiences, engendering a family feeling among Porsche owners and fans and increasing the strength of word of mouth marketing and brand engagement.

For more information on the strengths of the Porsche brand, see "*12.2.1 Iconic brand and heritage*".

12.5.4 Porsche Brand Extensions

The Group believes that the Porsche brand is strongly associated with modern luxury. As part of maintaining and building on this strength, the Group has undertaken several initiatives to extend the reach of the brand by creating new, and expanding on existing, touchpoints. Examples of such initiatives include:

- working with Embraer, a major global aircraft manufacturer, to co-design the exterior of a special edition Embraer business jet and a matching customized 911 Turbo S;
- collaborating with luggage manufacturer RIMOWA to create a hand-carry case inspired by the design features of the original 911; and

- collaborating with Parisian fashion label L'Art De L'Automobile to develop a unique, redesigned Porsche 968 combining 1990s retro looks with a modern flair as well as two different capsule fashion collections.

In addition, the Group has held 15 new platform events (known as "Beyond automotive" events) worldwide since 2017, with an estimated attendance at such events of more than 200,000 participants (*i.e.*, physical interaction with the brand including walk by traffic and which could not be 100% technically counted due to estimates including passersby and interactions at outside stands).

12.6 Product Design, Research and Development

Ferry Porsche once said, "We place more value on building cars of quality than on building cars for quantity". At the Porsche Research and Development Center in Weissach, Germany, approximately 6,700 employees work to preserve this principle, constantly developing new automotive technologies, components and ultimately Porsche vehicles from concept development to finished prototypes. The Porsche Research and Development Center combines numerous key vehicle design functions in a tightly linked, cooperative core, with design offices, an aerodynamics test center, a climate chamber, an aero-acoustic wind tunnel, static drive testing equipment and a test track all located there, among other facilities. Porsche views the closely knit nature of its various design departments in Weissach as playing a significant factor in maintaining a collaborative design environment which cultivates the distinct Porsche product identity.

12.6.1 Porsche Vehicle Design

12.6.1.1 *Porsche Design Philosophy*

Porsche vehicles are designed to be distinct and recognizable on streets around the world, with a core, sleek and aerodynamic silhouette that defines a Porsche vehicle as such. This silhouette is perhaps best epitomized by the Porsche 911 coupe, with its low, street-grabbing sporty posture, free-standing and pronounced rear fenders, optimized width to height ratio, iconic flyline, low nose with air intakes, and flat bonnet with bold front wings. These stylistic cues are mirrored throughout Porsche's car portfolio, serving to establish and buttress the Porsche brand identity. Beyond the 911, the exteriors of Porsche's other models have been designed in this spirit but with their own unique modifications, such as the Panamera's more rounded transitions or the Taycan's more sloped bonnet, shorter overhangs and more pronounced downward rear slope.

12.6.1.2 *Porsche Interiors*

The design of the interior of a Porsche has and continues to revolve around the maxims that the 'driver is in focus' and that the pursuit of perfection requires constant innovation. In the modern era, this is increasingly marked by a blend of hallmark design choices—such as the classic Porsche rounded instruments panel with the revmeter in the center in the 911 or the curved instrument panel in the Taycan—and the latest in modern automotive technology, meaning the interior of a Porsche can both maximize the driving experience while serving as a technological control center.

Porsche is increasingly bringing together concept developers, designers, engineers, electronics experts, programmers and modelers to work hand in hand in advancing Porsche's distinctive identity while tackling modern developments. Modern features seen in current generations of Porsche vehicles include 3.5 to 16.8 inch (as seen in the Taycan) touchscreen monitors and the Porsche Communication Management ("**PCM**") system. PCM serves as a central control unit for all audio, communication, navigation and standard vehicle functions, such as climate control, driving mode, seat settings, lights and even suspension height and stiffness. The PCM system can also interface with the My Porsche app, allowing vehicle occupants to browse nearby parking and charging options, fuel prices, news, flight information, weather and more. For customers with Electrified Vehicles, the PCM system also shows the current driving mode, available range and past driving statistics.

12.6.1.3 *Vehicle Architecture*

Porsche vehicles are currently designed and manufactured principally on three modular architectures for ICEs and a fourth Taycan-specific 800 volt electrical platform, the J1 (which is now also shared with Audi). Current-generation 911 and 718 models make use of the Group's modular mid-engine platform, or MMB (*Modularer Mittelmotor Baukasten*), while current-generation Panamera models make use of the Volkswagen Group's MSB (*Modularer Standardantriebsbaukasten*) platform and current-generation Macan and Cayenne models make use of the Volkswagen Group's MLB (*Modularer Längsbaukasten*) platform. Looking to the future, the Group is currently working with Audi to develop the PPE, a modular platform for electric cars, which is intended to support the Macan BEV and future Cayenne BEV models in the near- to medium-term. In addition, the Group, together with Audi and other members of the Volkswagen Group, is developing the SSP, a high-performance version of which (SSP Sport) is expected to support Porsche vehicles developed in the longer term, beginning with the expected new, fully-electric luxury SUV model.

The PPE and future Porsche vehicles built off of this platform are expected to feature a universal software platform and related hardware architecture developed by CARIAD, a subsidiary of Volkswagen AG, in collaboration with the Group and Audi. CARIAD's software platform is intended to host and direct many of the technological applications in a vehicle (including most of a vehicle's software and software stacks comprising, among others, engine and safety features such as driving assistance and intelligent braking, as well as infotainment) in addition to managing certain updates and upgrades of features. CARIAD, together with other external software providers, is intended to provide the software which will combine with the hardware aspects of the PPE to complete the overall vehicle architecture. The Macan BEV is expected to operate on the E^3 1.2 version of CARIAD's platform, and the Group expects to, together with Audi, further develop the E^3 1.2 through various developmental stages supporting medium-term Electrified Vehicle launches, culminating in the E^3 1.2 Evo platform thereafter to support, among other features, autonomous driving. See "*1.1.6 The Group's ability to introduce its next generation of vehicles and electrify its existing product lineup depends in large part on the development of next-generation vehicle hardware and software architecture. The failure of certain software platforms and applications and related hardware architecture to be developed, delivered and rolled-out in a timely manner has led to the Group delaying product launches, and there is a risk of similar occurrences in the future*".

The use of modular architectures allows the Group flexibility and facilitates adapting to different models with limited additional investment. Commonality across architectures also allows the Group to reduce tooling investment and time for new model production while still promoting high levels of product differentiation. The use of a few vehicle platforms to produce various models across multiple product lines also allows the Group to reduce costs associated with developing and maintaining a platform for each product line or by model as well as the costs associated with the production and development of incremental new models. In addition, the conceptual similarity of the models on a common platform allows greater flexibility in utilization of production facilities.

12.6.1.4 *Electrified Vehicle Efficiency and Performance*

As part of its transition to an Electrified Vehicle-centric portfolio, the Group's research and development efforts are strongly focused on the efficiency and performance of these types of vehicles. Internally, the Group has developed an 800 volt electric platform (as compared to the traditional 400 volt platforms used by many other OEMs for Electrified Vehicles) intended to enable faster charging, such as seen in the Taycan. Externally, the Group is working, together with Cellforce, to develop battery cells which are targeted to feature significantly increased energy density and energy absorption compared to currently available battery cells, while also being smaller in size, thereby increasing both their range and efficiency while reducing their weight. The Group's research and development efforts for BEVs also include increasing their battery electric range. The Group is also piloting battery repair programs with the aim of increasing the life of cell modules in vehicles or using cell modules no longer suitable for vehicles for other purposes, such as stationary energy generators.

12.6.1.5 *Engine Design*

A key Porsche design hallmark is the flat-six engine series. Taking inspiration from the flat-four boxer engine seen in early models of the Volkswagen, naturally-aspirated flat-six engines have been produced by Porsche for almost 60 years, starting with the introduction of the 911 in 1963. The Porsche flat-six engine concept proved successful for various reasons, including the use of air-cooling, which provides for better cooling conditions at a lower weight than water-cooling. This would prove important in maximizing the performance of flat-six engines, including in their use in motorsports. Further technological highlights of Porsche's flat-six include a lower center of gravity and increased space for intake and exhaust plumbing compared to V or upright inline engines, the possibility to increase cylinder count, more efficiently located valves and an increased use of aluminum parts, which decrease engine weight while improving heat rejection.

Porsche continually improved the performance of its flat-six engines from the 2.0 liter, 130 horsepower version included in the first 911s to the 3.6 liter, twin turbocharged, 424 horsepower version included in the 911 Turbo of the late 1990s. At that point, Porsche engineering took a radical and innovative step, with Porsche 911s (Type 996) released from 1997 including a water-cooled flat-six engine. This change was driven by Porsche's ambition to be at the forefront of automotive technological development—while the air-cooled flat-six had served Porsche well for decades, modern technology allowed for water-cooled engines to include four valves per cylinder, an improvement over air-cooled engines, resulting in increased horsepower and torque, while also featuring improved fuel economy and reduced emissions. The introduction of innovative systems such as a valvetrain with variable valve lift in 2001 and the VTG Turbocharger in 2006 further enhanced efficiency and performance.

Converting to water-cooled engines also opened a new development curve for Porsche engineers—a new concept to improve upon and make uniquely Porsche. Ultimately, the change from air-cooled to water-cooled flat-six engines proved the right move to make, reflected by the 996 series of the 911 (the first 911 to feature a water-cooled engine) being very well received and a commercial success, and Porsche engineers pushing water-cooled flat sixes to new heights, as seen in the current-generation 911 Turbo S and the naturally-aspirated, high-revving GT3, among other high-performance Porsche sports vehicles. Current generations of Porsche's flat-six engines include new, larger turbochargers with symmetrical layouts and electronically controlled wastegate valves, a gasoline particulate filter to help comply with modern emissions requirements, a redesigned charge air cooling system, increased compression and direct gasoline injection with newly implemented piezo injectors, among other improvements, which all combine to improve responsiveness, power, torque characteristics, efficiency and maneuverability compared to prior generations.

12.7 Real Property and Manufacturing Facilities

Porsche's headquarters are in Zuffenhausen, Stuttgart, Germany, where it leases an office building at Porscheplatz 1, 70435 Stuttgart, Germany, which is also the registered place of business of the Company.

Stuttgart-Zuffenhausen

Zuffenhausen, a district of Stuttgart, Germany, has served as the central hub of Porsche since series production of the Porsche 356 began in 1950. The original site, or *Werk 1*, as it was known at the time, has since grown to include Porsche's principal manufacturing facilities for the Taycan, 911, 718, the Group's motorsport racing vehicles and all Porsche engines and is the seat of the Group's management team. Further Group functions operated out of Stuttgart-Zuffenhausen include quality management, logistics, investor relations, the Porsche Museum and internship/educational programs. The manufacturing facilities at Stuttgart-Zuffenhausen have been net carbon neutral since 2020.

Weissach

Weissach, Germany, which lies some 25 kilometers northwest of Stuttgart, has been the home of the Group's Porsche Research and Development Center since 1971. From the first sketch to the finished prototype, all of the Group's series production vehicles since 1971 have had their origin in the Weissach site, and it is further home to Porsche Motorsport. The Weissach site combines numerous key vehicle design functions in a tightly linked, cooperative core, with design offices, a foundry, an aerodynamics test center, a climate chamber, an aero-acoustic wind tunnel, static drive testing equipment, an electronics integration center, a prototype parking garage and a test track all located there, among other facilities. The Weissach site covers an area of around 100 hectares (with an additional 3 hectares expected to be added by 2025). Current expansion projects include a second access road, a complete vehicle test building, a center for safety tests and a climatic wind tunnel.

Leipzig

Officially opened in 2002, Porsche's manufacturing facilities in Leipzig, Germany were initially built to support production of the first-generation Cayenne and avoid bottlenecks and delays at the Stuttgart-Zuffenhausen site. Since then, four factory expansions have been completed, with a fifth beginning in 2019, and the site has produced Carrera GTs and Cayenne, Panamera and Macan models, the latter two of which are still produced there today. The Leipzig factory currently consists of a Macan body shop, a Panamera body shop, a paint shop and an assembly line. The fifth factory expansion is intended to increase the Leipzig site's production capabilities for Electrified Vehicles, including a further body shop for the upcoming Macan BEV. The Leipzig site itself has also grown, and now includes an on-road circuit track, dynamic circuit track, an off-road track, and is the location of a Porsche Experience Center, a Porsche Track Experience (where visitors can test drive Porsche vehicles for a fee) and factory collection customer vehicle pick-up.

Other Sites in Germany

Porsche has additional sites in Ludwigsburg, Sachsenheim and Bietigheim-Bissingen, Germany, all a short drive from the hub at Stuttgart-Zuffenhausen. The site in Ludwigsburg is the home of Porsche aftersales and Porsche Digital. The site in Sachsenheim serves as the main Porsche parts warehouse and the Group has broken ground on a pilot (*i.e.*, early phase product development) center as an addition to the Sachsenheim site. The site in Bietigheim-Bissingen is home to Porsche Consulting and the Group's Financial Services segment, among many other German subsidiaries of the Group. Porsche also maintains a Porsche Track Experience in Hockenheimring. As a result of high demand for Group vehicles and the complexity of preparing the Stuttgart-Zuffenhausen plant for upcoming BEV models of the 718, remaining ICE 718 models are planned to be produced by the Group at the Volkswagen Group's multi-brand production facility in Osnabrück, Germany, starting from the middle of 2023.

Outside of Germany

The Group produces Cayenne models at the Volkswagen Group's multi-brand site in Bratislava, Slovakia. Porsche also maintains customer outreach and production facilities outside of Germany. In North America, PCNA maintains a headquarters in Atlanta, Georgia, United States, while Porsche Motorsports North America maintains a home base in Carson, California, United States. Porsche Experience Centers, including a customer drive track and museum, are located in Atlanta and Los Angeles, with a third currently under construction in Toronto, Canada, and Porsche Track Experiences are located in Mexico and Canada.

In Asia, Porsche (China) Motors Limited has maintained a headquarters in Shanghai, China, since 2019. In 2018, Porsche officially opened a Porsche Experience Center in Shanghai, which includes on-road and off-road test tracks, racing simulators, exclusive lounges and business facilities. Further, from May of 2022, Porsche began assembling a Cayenne model at a third-party assembly facility in Kulim District, Kedah, Malaysia. Porsche is also building a research and development site in Shanghai, starting in 2022. A Porsche Track Experience is located in Sodegaura, Japan.

Porsche Track Experiences are also located in Australia, Italy, Austria, Belgium, Switzerland, Sweden, France, Spain, Great Britain, the Netherlands and Russia. Further, Porsche Sales oversees various additional physical retail locations worldwide (see "*12.5 Sales and Marketing*").

12.8 Procurement

The Group considers its procurement department to be an important aspect of its success. Globally, the procurement department manages a supply base of approximately 1,850 series suppliers for production materials from third parties and approximately 5,600 suppliers for non-production materials.

Key raw materials and other inputs procured by the Group, including through its third-party suppliers, include aluminum, steel, palladium, rhodium, nickel, copper, lithium, cobalt, magnesium, rare earth metals and noble gases (particularly neon). Additional raw materials of relevance to the Group include tin, tantalum, tungsten, gold, platinum, leather, rubber and plastics. Through third-party suppliers, the Group sources parts and components (*i.e.,* pre-assembled parts of a Porsche vehicle which are prepared by a third-party supplier) containing these and other raw materials, such as, for example, body sheets, casting parts, wiring harnesses, circuit boards, radiators, steering columns, seats, steering-wheels, interior components, paint, neomagnets and tires. A further important input are semiconductors, which are of vital importance for the completion of the Group's vehicles, in particular for the increasingly prevalent digital connectivity, safe driving and intelligent or automated features included in them. Semiconductors are also very important for the production of the Group's Electrified Vehicles, which require more semiconductors on average than traditional ICEs due to their charging and other electrical systems. Semiconductors are sourced by the Group's third-party suppliers in the case of parts and components pre-assembled with semiconductors as well as being sourced directly by the Group on behalf of its suppliers in certain cases. The Group also sources process materials such as natural gas and oil for various applications, including first fill fuels, which help to protect engine components between manufacture and delivery.

As the Group works towards a net carbon neutral value chain in 2030, it expects to have to procure (including through its suppliers of parts and components) raw materials which are derived in a CO_2-optimized manner, such as CO_2-optimized aluminum and steel.

The Porsche procurement department is also responsible for sourcing non-production materials, *i.e.*, materials not directly related to vehicle production, including IT hardware equipment, machines, office equipment and tools. Furthermore, the Group engages third parties for the supply of various services, including, among others, construction services (such as groundworks and buildings), marketing services (such as car shows and other events), IT services, logistics services (including transport of parts, components and vehicles) and various development and engineering services. As of June 30, 2022, approximately 600 employees were employed by the Group in procurement functions.

The Group has been and continues to be affected by the ongoing global shortage of semiconductors. As such, securing the supply of semiconductors for the Group and its suppliers of parts and components has been a significant procurement focus of the Group in recent months, including through the founding of a new department devoted to the issue (see also "*1.1.4 The Group is dependent on the performance of third-party suppliers, many of which are struggling to meet demand due to supply chain disruptions. In particular, the Group has been and continues to be impacted by the global semiconductor shortage*"). The Porsche procurement department has also recently had to navigate significant price volatility for many key raw materials, for example aluminum, lithium, cobalt, nickel and steel and steel derivatives.

The key pillars of procurement at Porsche are security of supply, economic efficiency and sustainability. With Porsche's expanded product portfolio and the associated increases in technological requirements leading to expected increases in the need for certain raw materials and parts and components (*e.g.*, those for Electrified Vehicles and in-vehicle digital, connectivity and safety features), recent supply chain disruptions and increased sustainability requirements, supply chains are of increasing strategic importance to the Group. Porsche's customers are also increasingly concerned about sustainability and transparency in the supply chains underpinning vehicles they purchase, and many other external stakeholders such as political and non-governmental organizations are increasingly demanding and promoting sustainability in procurement as an aspect of overall corporate responsibility. Further, Porsche views sustainable practices as better enabling it to identify and avoid procurement risks before they occur. Porsche is therefore focusing on its compliance and sustainability strategy with respect to its suppliers and supply chains. For example, the Group has imposed an "S-rating" ("S" for sustainability) as a key supplier selection criterion. The S-rating is a designation employed by the Group measuring sustainability and social aspects of a supplier's operations based on self-assessment questionnaires and on-site checks if required. See "*12.10 Sustainability Management*" for more information.

Further, as part of Porsche working towards a net carbon neutral value chain in 2030, Porsche has, since July of 2021, sought to require its series suppliers to use renewable electricity for the manufacturing of new vehicle projects. Porsche monitors and cooperates closely with its suppliers on this and other sustainability topics. Additionally, Porsche has been a member of the cross-industry "**Responsible Mica Initiative**", a global initiative with around 60 major members across various sectors since 2020. The Responsible Mica Initiative supports fair mining conditions through the improvement of transparency and labor conditions in relation to mica, a raw material used in paint and thermal isolation material for Electrified Vehicles, such as by setting clearly defined goals and working to establish a legal framework for mica mining. Further, the Group, together with Audi and Volkswagen AG, launched a pilot project in October of 2020 to use AI to identify early-warning signs of sustainability risks in the supply chain through the screening of publicly available media and social networks, with the goal of thousands of suppliers globally being checked for sustainability risks in real time. The Group, however, may not be successful in these efforts.

In response to the extraordinary supply chain disruptions witnessed in 2020 and 2021 as a result of the Covid-19 pandemic and the global semiconductor shortage, Porsche established an interdisciplinary task force within the procurement department to identify and mitigate material supply issues and thereby learn how to handle further supply chain issues in the future. The task force engaged and continues to engage in direct conversations with the Volkswagen Group, semiconductor suppliers and Tier 1 suppliers. The task force is exploring how building up parts inventories and making use of alternative components can help mitigate supply disruptions, among other countermeasures. Further, this procurement task force has provided support where needed to suppliers affected by these extraordinary supply chain disruptions.

12.9 Joint Ventures, Strategic Partnerships and Participations

The pursuit and establishment of joint ventures, strategic partnerships and participations is an important element of the Group's operations and strategies. By engaging in these activities, the Group primarily aims to access technology significant to, among others, its transition to an Electrified Vehicle-centric portfolio, while sharing the financial commitments required to develop such technologies.

Relatedly, the Group's corporate venture capital arm, "**Porsche Ventures**", was formed in 2016 with the goal of strategically investing in business models in the areas of customer experience, mobility and digital lifestyles, and has since expanded into the fields of car and mobility, intelligent enterprises and sustainability, among others, focusing on young companies in early phases. Porsche Ventures aims to prioritize a structured approach to innovation and to leverage the Porsche brand to create value, providing the Group access to new technologies in a capital-efficient way and promoting future strategic partnerships where entrepreneurs can further develop their business by leveraging the Group's know-how. Examples of Porsche Ventures' portfolio of investments include 1Komma5° GmbH (Germany), Cresta Intelligence Inc. (U.S.), TriEye Ltd (Israel) and Intamsys Technology Ltd. (China). In addition, Rimac is a prime example of a Porsche Ventures investment which has evolved into a strategic partnership (see "*12.9.5 Rimac*").

Porsche Ventures has its headquarters at the Group's site in Stuttgart-Zuffenhausen and additional offices operated by Porsche Digital in Ludwigsburg, Palo Alto, Berlin and Tel Aviv, as well as an office in Shanghai operated by Porsche (Motors) China Ltd. As of June of 2022, Porsche Ventures had 42 active direct investments, with a typical initial investment range of EUR 1 million to EUR 4 million.

12.9.1 Cellforce

On May 21, 2021, the Group entered into a joint venture agreement with Customcells, in the view of the Group one of the world's leading companies in the development of special lithium-ion battery cells, to establish Cellforce. The Group and Customcells intend to utilize Cellforce to develop and produce customer-specific, high-performance battery cells for use in series production and motorsport vehicles including, potentially, those of the Group.

Battery cells produced by Cellforce are expected to distinguish themselves by way of chemical composition and overall design, utilizing silicon as an anode material to significantly increase power and energy density compared to current battery cells, while also reducing internal resistance, thereby reducing losses and improving fast charging performance. For example, Cellforce-designed battery cells are currently targeted to hold a charging capacity significantly greater than that of the current generation Taycan. The battery cells will also be designed for use at higher temperatures than battery cells currently available on the market. The Group and Customcells have chosen BASF to serve as cathode material development and supply partner. As part of this arrangement, BASF is exclusively providing certain high-energy cathode materials to promote fast charging capabilities, high energy densities in Cellforce battery cells and more sustainable cathode material production.

The Group views future Cellforce battery cells as potentially providing a solution to external supply issues in the automotive market in sourcing high-performance battery cells and as potentially playing a role in the Group achieving its ambition of over 80% of new vehicles delivered being BEVs by 2030. Cellforce was initially founded with an aim of small series production (*i.e.*, battery cells for approximately 1,000 cars per year) beginning in 2024. In July of 2022, however, the Group decided to scale Cellforce up to an annual production capacity of 1.3 GWh, including indications of an additional 10 GWh annual production capacity in a second facility at a separate location in Germany or elsewhere in Europe.

As of July 31, 2022, the Group's overall investment in Cellforce amounted to EUR 40 million with an additional capital commitment of EUR 171 million, and the joint venture was formally announced on June 6, 2021. As of June of 2022, the Company held an approximately 73% stake in Cellforce. Further, on July 25, 2022, the Company and, *inter alia*, Cellforce entered into a convertible loan agreement in the amount of EUR 55 million (as part of the above mentioned additional capital commitment of EUR 171 million). Cellforce is positioned as a subsidiary within the Group. Cellforce is currently building a state-of-the-art development and pilot production site along with office space for a new headquarters outside of Stuttgart, with a targeted launch of production in 2024, and is also actively looking at a second site in Germany or elsewhere in Europe. As part of this, Cellforce has been granted subsidies, including a subsidy of up to approximately EUR 57 million, from funds of the German federal government and certain German states, as the project qualifies for support under certain EU state aid measures targeted towards the battery cell value chain. As the construction of its future site progresses, Cellforce continues to operate out of its existing facilities in Tübingen/ Kirchentellensfurt, Germany.

12.9.2 IONITY

On November 3, 2017, the Group, together with other OEMs (either directly or through their subsidiaries) like the BMW Group, Daimler AG (now Mercedes-Benz AG), the Ford Motor Company and other members of the Volkswagen Group (including Volkswagen AG and Audi) announced the formation of the joint venture IONITY, with the goal of developing and implementing a high-power 350kW charging network for electric vehicles across Europe. On November 5, 2020, the Hyundai Motor Group (including Hyundai and KIA brands) was announced as a further partner, and on November 24, 2021, IONITY announced a further EUR 700 million investment round. IONITY's headquarters are located in Munich, Germany, with an additional office outside Oslo, Norway. IONITY has more than 110 employees.

The IONITY charging network has grown from 20 stations in Germany, Norway and Austria in 2017 to, as of July of 2022, approximately 420 across 24 European countries. IONITY plans to expand its network to more than 1,000 stations by 2025. These new charging stations are planned to not only be situated along motorways, but also near major cities and busy strategic roads, and IONITY further plans to increase the number of charging points at busier existing stations. IONITY has site partnerships with major roadside rest station and related service providers to ensure its sites are attractively located and convenient. Looking to the future, IONITY, as part of its Project: Oasis program, plans to increasingly acquire its own properties and, depending on location, build and operate its own service stations to offer customers enhanced convenience.

As of June 30, 2022, the Group held an approximately 15% stake in IONITY. As part of the aforementioned EUR 700 million investment round, the Group contributed an additional EUR 40 million to IONITY in H1 2022.

12.9.3 Group14

On May 4, 2022, the Group announced that it had invested USD 100 million as lead investor in a series C financing round totaling approximately USD 400 million in Group14, a Woodinville, Washington, U.S.-based developer of silicon-carbon technology for lithium-ion battery cells. The funds are intended to be used to expand Group14's manufacturing facilities in the U.S. and assist in Group14 opening a second factory in South Korea in 2022, with the goal of accelerating its production of silicon anode material for lithium-ion battery cells. Silicon anode material technology is expected to be a key component in increasing the energy density of battery cells, which would allow for battery cells in the future to remain the same size or decrease in size while increasing operational range. Group14 has signed a supply contract with Cellforce with respect to its silicon-based technologies.

12.9.4 Bugatti Rimac

On July 5, 2021, the Group announced that it would, together with Rimac, an innovator in the field of electrified vehicle technology and producer of the all-electric hypercar the Rimac Nevera, form a joint venture to be known as Bugatti Rimac. The mission of Bugatti Rimac is to combine Bugatti Automobiles S.A.S.'s strong expertise in the traditional hypercar business with Rimac's electric mobility knowledge and technology to continue, in the initial phase, the production of the Bugatti Chiron and the all-electric Rimac Nevera and to develop and produce a successor to the Chiron as well as potentially other new models. Bugatti Rimac formally began operations on November 2, 2021. As of June 30, 2022, the Group held a 45% interest in the joint venture, with Rimac holding the remaining 55%. The Group serves as strategic partner. The Group purchased its shares in Bugatti Rimac for a purchase price of EUR 174 million in 2021. See also "*12.9.5 Rimac*".

12.9.5 Rimac

The Group maintains a strategic investment in Rimac Group. The Group made its first investment in the Rimac Group in 2018 and announced in June of 2022 that it participated in the Rimac Group's latest financing round, which totaled EUR 500 million, valuing the Rimac Group at over EUR 2.0 billion (source: Rimac June 2022), with the Group maintaining its more than 20% stake in the Rimac Group. The funds from the June of 2022 financing round were intended to enable the Rimac Group to expand its production for high-volume projects, including in particular the development of high-performance electric vehicle components such as batteries and e-axles by the Rimac Group subsidiary, Rimac Technologies, and to hire an additional 700 employees in 2022. The overarching goal of the Group's investments in the Rimac Group is to continue to support the development of the Rimac Group into a long-term Tier 1 technology partner for global car manufacturers, including the Group. As of June 30, 2022, the Group held a more than 20% stake in the Rimac Group.

12.9.6 HIF

On April 6, 2022, the Group announced that it would be investing USD 75 million in HIF as part of a low three-digit million international financing round. HIF is a holding company of active project developers of production facilities for e-fuels, including the Haru Oni e-fuels pilot, in which the Group, Siemens Energy and ExxonMobil, among others, are partners. The investment is intended to assist HIF in further developing industrial e-fuel plants in Chile, the U.S., Europe, the Middle East, Africa and Australia.

The Group has been investing in the use of e-fuels as it believes such e-fuels offer attractive prospects across transportation sectors. The Group initially plans to use e-fuels in motorsport and other flagship projects. E-fuels can, in the Group's view, further play an important role for the decarbonization of ICEs in existing fleets.

12.9.7 P3X

During 2022, the Group has undertaken transfers of its activities relating to the development of an aircraft for urban air mobility (in particular, an electrical vertical takeoff and landing device) to the newly founded P3X GmbH & Co. KG ("**P3X**") and has provided P3X with a budget of EUR 50 million for the following approximately eighteen months for further development activities. The Group is currently the sole shareholder of P3X. However, additional investors are planned to be onboarded in a financing round expected to take place in twelve to eighteen months. The Group may also make further investments in other companies in the field of urban air mobility.

12.9.8 Porsche eBike Performance and P2 eBike

On August 1, 2022, the Group announced that two new joint ventures it had entered into with Dutch company Ponooc Investment B.V. had begun operations. One of the joint ventures, Porsche eBike Performance GmbH ("**Porsche eBike Performance**"), will develop electric drive systems (including motors, batteries and the necessary software architecture for connectivity solutions) for e-bikes. These drive systems will include those of Fazua, a manufacturer of light and compact drive systems for e-bikes which the Group fully acquired in June of 2022, as well as drive systems developed under the Porsche brand name. In addition, Porsche eBike Performance has acquired the Group's majority stake in the Croatian e-bike manufacturer Greyp. The second joint venture, P2 eBike GmbH ("**P2 eBike**"), intends to use Porsche eBike Performance's drive systems to launch a new generation of Porsche e-bikes beginning from the middle of the decade. Porsche eBike Performance's drive systems are also expected to be used in the products of other brands.

The two new joint ventures are in addition to the Group's ongoing e-bike activities, including its long-standing strategic partnership with Rotwild, which in March of 2021 launched the Porsche eBike Sport and Porsche eBike Cross models.

12.10 Sustainability Management

Conscious of the increasing importance of sustainability to its customers and that it also has social responsibilities that can transcend its obligations to its customers, Porsche aims to tackle modern sustainability challenges it faces as an automobile manufacturer. The Group has designed a sustainability framework around six strategic pillars: decarbonization; the circular economy; diversity; partner to society; supply chain responsibility; and governance and transparency.

Within these six action areas, Porsche strives to advance its societal responsibilities, which Porsche believes will bolster sustainable and value-creating growth while further reducing the Group's environmental impact. Porsche continually monitors its progress across these six strategic pillars.

To date, some of the Group's key sustainability achievements include being awarded a "B-" ESG rating by ISS in October of 2021, making it among the best rated among 41 rated companies within the automotive industry, the launch and successful start of the Taycan, which translated into a 14% BEV share of the Group's total Deliveries in 2021 (with an approximate Electrified Vehicle share of Deliveries in Europe even reaching approximately 40% in 2021), reaching net carbon neutral status in its main research and development and production sites in Stuttgart-Zuffenhausen, Leipzig and Weissach (Scope 1 and Scope 2) and implementing a four-megawatt photovoltaic system to provide a significant amount of the Leipzig site's energy needs (with another 3.8 megawatts of photovoltaic capacity currently being installed at the Leipzig site, 0.25 megawatts already online in Stuttgart-Zuffenhausen and 0.9 megawatts planned for 2023 in Weissach).

Additionally, the Group also aims to continue to meet and implement various international environmental and energy management standards. The Stuttgart-Zuffenhausen production facility has been in compliance with the ISO 50001 energy management standard since 2011 and validated under the Eco-Management and Audit Scheme (EMAS) since 1996 (followed by the Leipzig and Weissach sites, which are also certified according to ISO 50001), and the Leipzig, Weissach and Sachsenheim sites all having been certified compliant with the ISO 14001 environmental management system since 2008 (followed by the Stuttgart-Zuffenhausen site, which is also certified according to ISO 14001). Plant number 4 at the Stuttgart-Zuffenhausen site and the Leipzig plant have also been certified with the highest award level of "Platinum" in accordance with the standards of the German Sustainable Building Council.

12.10.1 Strategic pillars

Decarbonization

The Group believes that combating climate change is one of the most important challenges confronting the world. As part of its efforts to pursue sustainable performance, Porsche is working towards becoming net carbon neutral across the value chain in 2030. Net carbon neutrality across the value chain describes Porsche's ambition to avoid and reduce carbon emissions towards neutrality, especially within production (Scope 1 and Scope 2 emissions), supply chain and the use-phase of cars delivered (up- and downstream Scope 3 emissions), but also including other Scope 3 emission categories, such as employee travel. Offsets (including carbon reduction and carbon removal) are included in Porsche's decarbonization strategy alongside its emission reduction efforts. Emissions from Group vehicles delivered in previous years, before achieving carbon net neutrality, will not be included in the assessment of carbon neutrality. Porsche's ambition is subject to progress made in individual levers, such as technological advances that have yet to be fully developed, as well as other factors, such as regulatory or economic developments, that may be out of the Group's control.

The Group measures its progress in working towards this ambition through its own decarbonization index ("**DCI**"). The DCI aims to provide a comprehensive overview of the CO_2 equivalent emissions throughout the value chain. It is, among others, based on life cycle assessments which are performed on the basis of systematic methods and are subject to assumptions. A life cycle assessment seeks to address environmental impacts such as the CO_2 footprint caused throughout a vehicle's life cycle during manufacture, use and recycling. The scope of a vehicle's life-cycle encompasses the vehicle and all of its parts including the supply chain and production, the use-phase of the car (based on total mileage of 200,000 km per vehicle) and the emissions related to fuel/ power supply, as well as recycling during disassembly. The DCI also includes other emissions within the value chain including the energy and fuel emissions of non-production sites and business trip and logistics emissions. The DCI is designed to capture the Group's production sites' direct and indirect CO_2 emissions. Vehicle maintenance is not taken into account by the DCI. The DCI calculation methodology is continuously adapted depending on internal and external requirements, such as new test cycles for fleet emissions, and the delivery of updated data, for instance from suppliers. For the presentation of a methodologically consistent time series, DCI values that have already been published can therefore also be adjusted to the new methodology and thus revised.

The core elements of the Group's net carbon neutral ambition call for the Group to continue to pursue (i) portfolio electrification, (ii) green electricity for the BEV use-phase, (iii) a "zero-impact" factory vision (for Scope 1 and Scope 2 emissions), and (iv) responsible supply chain practices with emphasis on criteria such as reliance on green electricity, circular materials and processes. To achieve this, the Group expects to make use of offsets, including carbon reduction and carbon removal, with respect to (ii), (iii) and (iv), as well as to offset other emissions (*e.g.*, fuel and tailpipe emissions for remaining ICEs and PHEV and emissions from employee travel and offices, among others). The Group aspires to reduce these offsets over time.

The Group's portfolio electrification ambitions include for Electrified Vehicles to comprise over 50% of its new vehicles delivered in 2025, for BEVs to comprise over 80% of new vehicles delivered in 2030 and for all new BEV models to be net carbon neutral across the value chain from launch. Porsche is committed to decarbonizing the BEV use-phase for new models. In order to do so, the Group seeks to reach 100% green electricity during the use-phase by procuring green energy certificates via collaborations with Volkswagen Kraftwerke GmbH and others.

The Group's zero-impact factory vision (for Scope 1 and Scope 2 emissions), which aims to support, among others, circularity, biodiversity and air quality, relies on the use of environmental impact points to measure and steer towards its ambition, with points measuring energy, power plant emissions, CO_2, air pollutants, water, wastewater and general waste. Measured against a 2018 baseline, the Group is targeting a reduction of 95% of such environmental impact points at its Stuttgart-Zuffenhausen and Leipzig plants in 2030. The Group also aims to achieve a reduction of 45% of environmental pollution calculated on a per vehicle basis in its own production between 2014 and 2025, including energy, CO_2, waste for disposal, water and volatile organic compounds per vehicle.

Supply chain responsibility

Porsche sees its corporate responsibility as extending beyond its factory gates and into the entire value chain. Therefore, Porsche has been focusing its sustainability strategy on the management of its supplier relations. As the energy, processes and materials involved in the supply chain comprises a significant share of the Group's carbon impact, the Group seeks to increase supplier reliance on circular materials and green electricity in supplier production processes as it works towards its decarbonization ambition.

Porsche's supplier S-Rating is at the core of Porsche's supply chain responsibility efforts. It is based on a self-assessment questionnaire covering environmental and compliance as well as social aspects, including human rights, and an on-site check at the supplier, if required. Porsche aims for a specific minimum supplier S-Rating score to be achieved for all direct suppliers of production materials. Following a risk-based approach, the S-Rating is also applied for selected suppliers of non-production materials and services. The S-Rating is one of several selection criteria for suppliers (with others including quality, logistics and creditworthiness). The Group, however, may not be successful in these efforts.

Partner to Society

In addition to its net carbon neutrality goals, the Group also sees itself as a partner to society and seeks to empower, in particular, disadvantaged and underserved populations. For example, the Group aims to continue to build on its volunteer platform *Porsche hilft* (Porsche Helps), which serves as a digital placement platform and lists organizations and associations in need of support from volunteers. The platform aims to connect Porsche employees and retirees with these organizations. Further examples of the Group's engagement include the over 6,100 graduates who have completed the PAVE program, which provides vocational education in technical professions for young adults, since 2015. Since 2020 the Group has also been a member of the cross-industry Responsible Mica Initiative. In addition, CASCADE (Committed Actions for Smallholders Capacity Development), a project formed by Porsche and Michelin, campaigns for the sustainable extraction of natural rubber. CASCADE targets up to 1,000 smallholders in Indonesia, one of the world's primary rubber producers, to provide training and education in production practices, biodiversity and occupational health and safety, with the aim of making the extraction of natural rubber more environmentally friendly, efficient and safe.

The Circular Economy

Porsche aspires to use sustainable materials in its vehicles and close resource cycles. In this respect, Porsche has set itself the goal of significantly increasing the proportion of verifiable secondary materials used in its vehicles. Key aspects of achieving this focus on producing long-lasting Porsche vehicles, including through the use of high-quality materials in conjunction with high requirements in the development process. Porsche's aim is to develop vehicles whose materials can be returned to the material cycle wherever possible, thus closing the material cycle of a vehicle. Porsche is also advancing developments in lightweight construction with the aim of reducing the overall use of materials and thus reducing energy consumption and emissions.

As part of its second-life strategy for batteries, Porsche is working on a concept that would allow high-voltage batteries to be re-used. According to the concept, suitable batteries would be dismantled down to the module level and installed in stationary energy storage units. Working with different professional partners, Porsche seeks to improve its existing recycling processes with the aim of increasing the proportion of raw materials in circulation and in order to re-use these materials in new batteries.

Diversity

Porsche intends to promote a corporate culture in which everyone is welcome and can apply their skills. The Group has set itself the goal of quantifiably establishing diversity criteria within the Group by 2030. A key focus for the Group to achieve this aim is to increase the number of mixed teams, which bring together different perspectives, throughout the organization. As one part of this focus, Porsche aims to increase the proportion of women in management positions significantly by 2025: at the Company level, the share of women at the first and second management levels below the Executive Board is targeted to be increased to 20% and 18%, respectively, and at the Group level, the share of women in management is targeted to be increased to 16%. As of June 30, 2022, 19% of the Group's employees are women and 12% of management level positions at the Group are occupied by women.

Governance and Transparency

For Porsche, ethical behavior is essential, not least because the confidence that the customers, partners and society have in Porsche depends on it. Acting and doing business with integrity are therefore crucial for the Group and its management. Porsche is strategically working to increase transparency and responsible corporate governance with the firm objective to be, and to be perceived by the automotive industry and society as a whole, as a strong partner. ESG criteria are part of selected Group management's key decision processes, for example on matters including investments and product development. Porsche also has solicited ESG ratings by external organizations, including ISS, and it expects to receive further, unsolicited ESG ratings following the Offering. Porsche seeks to base in part its future improvement measures using the results of these ratings.

12.10.2 Sustainability organization

Across the six strategic pillars, responsibility for the Group's sustainability strategy lies directly with the member of the Executive Board responsible for production and logistics and the member of the Executive Board responsible for procurement. The Group seeks to have a transparent internal structure with defined responsibilities to ensure material topics are handled efficiently and consistently. In brief, at the highest level, the Company's Executive Board determines strategic direction and concrete sustainability targets, with the Porsche Sustainability Council, an independent group of external specialists, providing advice and input. At the intermediate level, the Group's Politics and Society department and Sustainability department manage, in the case of the former, sustainability communications and stakeholder dialogue, stakeholder management and interfacing with the Sustainability Council, and in the case of the latter, interfacing with Volkswagen Group sustainability management, Porsche's sustainability strategy and sustainability bodies and implementing sustainability projects. In a further level, various committees and groups set sustainability priorities and focus areas, consolidate sustainability measures across the Group and develop and implement concrete sustainability measures and programs, among other responsibilities.

12.11 Employees

12.11.1 Employment Statistics

The following table sets out a breakdown of the Group's average number of employees (headcount) by geography for the six month periods ended June 30, 2022 and 2021 and the annual average number of employees (headcount) by geography for the years ended December 31, 2021, 2020 and 2019:

	Average number of employees during the[1]				
	Six months ended June 30, 2022	Six months ended June 30, 2021	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Europe	35,175	34,184	34,333	33,863	31,891
thereof Germany	33,366	32,593	32,709	32,289	30,359
Americas	864	827	834	828	824
thereof the United States	735	714	720	715	716
Asia	1,139	1,076	1,082	1,047	998
thereof China	912	866	867	842	801
Rest of the World	282	268	270	281	297
Total	**37,460**	**36,355**	**36,519**	**36,019**	**34,010**

(1) The figures reflect the number of employees including employees in the leave phase of their phased retirement arrangement.

The following table sets out a breakdown of the Group's average number of employees (headcount) by function for the six month periods ended June 30, 2022 and 2021 and the annual average number of employees (headcount) by function for the years ended December 31, 2021, 2020 and 2019:

	Average number of employees during the[1]				
	Six months ended June 30, 2022	Six months ended June 30, 2021	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Performance-related wage earners[2]	9,599	9,323	9,355	9,000	8,001
Salaried staff	27,221	26,329	26,471	26,263	25,194
Trainees	640	703	693	756	815
Total	**37,460**	**36,355**	**36,519**	**36,019**	**34,010**

(1) The figures reflect the number of employees including employees in the leave phase of their phased retirement arrangement.
(2) Performance-related wage earners are all employees working in production at Porsche AG and Porsche Leipzig GmbH.

As of August 31, 2022, the Group's number of employees (headcount) was 37,800. There has been no material change in the number of employees in the period from August 31, 2022 until the date of this Prospectus.

The Group also works with third parties, including temporary agency workers, sub-contractors, maintenance engineers, process engineers and professionals supporting the growth of the business. The following table sets out a breakdown of temporary agency workers:

	Average active third-party workforce during the				
	Six months ended June 30, 2022	Six months ended June 30, 2021	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Temporary agency workers	2,775	2,490	2,652	2,340	2,504

12.11.2 Trade Unions and Collective Bargaining

Some Group companies are members of employers' associations in the automobile industry and/or the metal and electronics industry. Since these industries tend to be highly unionized, the Group also acknowledges that many of its employees are organized in country-specific union organizations. In some countries in which the Group operates it is bound by collective bargaining agreements with trade unions, particularly in Germany, where most Group companies are subject to collective bargaining agreements. Such agreements cover various basic terms and conditions of employment and deal with or include provisions on, *inter alia*, remuneration (*e.g.*, pay-scales for different staff groups, including minimum wage guarantees, salary increases, income protection in case of individual employees' performance reduction at a certain age *e.g.*, due to sickness, surcharges (*Zuschläge*)), working time (*e.g.*, regular working time, short-time work, working time accounts), employee benefits and allowances (*e.g.*, sick pay, holiday pay, Christmas pay, overtime pay, holiday and leave entitlements), restrictions with regard to dismissals, notice periods, cut-off periods for claims, rights to reinstatement, partial retirement (*Altersteilzeit*), obligations to offer employment to apprentices, establishment of joint arbitration committees, recruitment and training processes (*e.g.*, obligations to hire internal job applicants in case of equal qualification).

Some of these collective bargaining agreements—in particular with regard to remuneration aspects—are typically entered for a certain period of time and are thus to be renegotiated in a timely manner prior to their expiry. For example, the collective wage agreements applicable at the Company, entered into between the Employers' Association of the Metal and Electrical Industry of Baden-Württemberg e. V. (*Südwestmetall-Verband der Metall-und Elektroindustrie Baden-Württemberg e. V.*) and the trade union IG Metall, will expire on September 30, 2022, and renegotiations are expected to commence during September of 2022.

In various countries (particularly Germany) employee representative bodies have been established which enjoy various information, consultation and certain co-determination rights in relation to social, personnel and economic matters. For example, in Germany, several works councils (including a group works council (*Konzernbetriebsrat*) and a general works council (*Gesamtbetriebsrat*)), as well an economics committee (*Wirtschaftsausschuss*), a speakers' committee for executive employees (*Sprecherausschuss*), a youth and apprentices representative body as well as a representative body for severely disabled employees exist which together enjoy a broad range of information and consultation rights relating especially to personnel, social and economic matters, including with regard to dismissals, compensation and benefits schemes and in connection with planned restructurings or redundancies. Some of the employee representative bodies are—within the scope of the respective legally permitted structuring options—constituted in such a way that they correspond to the individual circumstances and needs of the Group. In Germany, for example, there are alternative works council structures established by collective agreement as well as compositions of works council bodies that deviate from statutory law due to corresponding agreements with the respective bodies. Furthermore, half of the Company's Supervisory Board is composed of employee representatives in accordance with the requirements of the German Co-Determination Act (*Mitbestimmungsgesetz*; "**MitbestG**") (for details see "*18.3 Supervisory Board*"). At MHP, Porsche Engineering Services GmbH and Porsche Consulting, the prerequisites for the establishment of a co-determined supervisory board are fulfilled and could therefore be initiated at any time.

Collective agreements entered into with works councils and other employee representative bodies govern—in addition to the existing collective bargaining agreements with trade unions—a broad range of employment conditions and other collective matters at the companies of the Group where such bodies have been established, *e.g.*, most Group companies formed in Germany. Moreover, in addition to applicable protections under collective bargaining agreements, these agreements among other topics also provide for protection of employees as well as for enhanced information and consultation rights of employee representatives, for example in connection with lay-offs, restructurings, reorganizations and other corporate actions. Collective agreements regarding site guarantees (*Standortsicherungsvereinbarungen*)—including the general works agreement *Gesamtbetriebsvereinbarung "Tradition.Transformation.Zukunft" zur Standortsicherung 2020* under which dismissals of permanent employees of the Company for operational reasons are excluded until July 31, 2030—are in place at the Company. Similar agreements apply to several of the Company's German affiliates and retail dealerships (*inter alia,* Porsche Werkzeugbau GmbH, Porsche Niederlassung Berlin GmbH, Porsche Niederlassung Berlin-Potsdam GmbH, Porsche Niederlassung Hamburg GmbH, Porsche Niederlassung Stuttgart GmbH, Porsche Leipzig GmbH, Porsche Deutschland GmbH, Porsche Engineering Group GmbH, Porsche Engineering Services GmbH, Porsche Financial Services GmbH). These agreements, *inter alia*, exclude dismissals for operational reasons until December 31, 2023 (Porsche Werkzeugbau GmbH), December 31, 2025 (Porsche Niederlassung Berlin GmbH, Porsche Niederlassung Berlin-Potsdam GmbH, Porsche Niederlassung Hamburg GmbH, Porsche Niederlassung Stuttgart GmbH) and July 31, 2030 (Porsche AG, Porsche Leipzig GmbH, Porsche Deutschland GmbH, Porsche Engineering Group GmbH, Porsche Engineering Services GmbH, Porsche Financial Services GmbH), respectively. Furthermore, these site guarantees stipulate commitments of development at the respective sites, allocations of certain production areas to specific sites (*e.g.*, Stuttgart and

Leipzig), obligations to hire a certain amount of apprentices per year as well as provisions on remuneration and working time.

The Group estimates that, in addition to the protections which its employees generally have under statutory employment laws, approximately 27,000 of the Group's permanent employees in Germany enjoy some form of special protection against dismissal due to respective agreements, including under the abovementioned site guarantees.

The applicable collective agreements and, in particular, the applicable site guaranties restrict the Group's flexibility to make adjustments to its workforce, reduce its labor costs and implement reorganization, restructuring or similar corporate measures, even where the Group's management has concluded that such actions are necessary in light of economic conditions or market developments and where the failure to do so, or the failure to do so in a timely manner (in particular, compared to the Group's competitors) could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group may also become subject to new collective agreements, including regular wage increases under industry-wide collective bargaining agreements, which may increase the Group's operating costs.

12.11.3 Remuneration Structure

In general, most of the Group's employees receive a fixed gross monthly salary, additional performance-related variable compensation and are often entitled to additional payments (*e.g.*, surcharges, annual special bonuses, allowances and rewards for helpful suggestions and inventions, holiday and Christmas pay or 13th monthly salary) and benefits (*e.g.*, capital-forming benefits, insurance benefits, company car, discounted car leasing conditions and medical examinations), among other reasons, due to the aforementioned collective agreements. Moreover, depending on their contract, position and applicable remuneration system, some employees may also be entitled to substantial amounts of variable remuneration, based on the fulfilment of personal, company, and long-term incentive targets. In some countries, profit-sharing programs exist, entitling employees to receive a certain percentage of the local operating unit's profits.

Against the background of the adjustments of the remuneration of the members of the Executive Board which shall apply from January 1, 2023 onwards (see "*18.2.3.2 New Remuneration System*"), the Group intends to adjust the compensation for employees in senior management positions below the members of the Executive Board.

12.11.4 Employee IPO Bonus

In connection with the Offering, Porsche intends to pay—subject to certain conditions—to its employees a bonus to acknowledge and honor their extraordinary performance over the past years (the "**Employee IPO Bonus**"). The Company estimates that the total costs of the Employee IPO Bonus (including associated costs) will be up to approximately EUR 250 million. Such amount has not been accrued in the Unaudited Condensed Consolidated Interim Financial Statements.

12.11.5 Pension Plans and Retirement

While, depending on the situation in specific countries, the Group operates pension and similar long-term benefit plans in the form of both defined benefit pension plans as well as defined contribution plans, the vast majority of the Group's plans are of a defined benefit nature. The vast majority of these plans are unfunded as of the date of this Prospectus, which means that a major part of the Group's ongoing pension and long-term employee benefits-related obligations have to be financed out of the Group's available assets or cash flow when becoming due. If the Group decides to fund these plans in the future, such funding would have to be made from available assets or future cash flows. As of December 31, 2021, the Group's provisions for pensions and similar obligations amounted to EUR 5,525 million. The Group intends to opportunistically reduce its pension liability by funding up to approximately 60% to 70% of its net defined benefit obligation in the medium term, subject to market conditions.

The majority of the defined benefit obligation stems from various employer or employee-sponsored pension plans operated in Germany. For employees of most Group companies who joined the Group prior to December 31, 2021, the employer-sponsored pension schemes are operated as unfunded direct commitments and provide for old-age, invalidity and death benefits that are calculated based on an actuarial conversion of (virtual) contributions granted to the beneficiaries during the course of employment or, where legacy schemes were harmonized, based on virtual contributions reflecting the value of accrued rights as of the date of the harmonization. In 2021 the actuarial assumptions used for the calculation of the benefits were adjusted in a way that for (virtual) contributions as from January of 2021 benefits are calculated based on the mortality tables as applicable from time to time (currently Heubeck 2018G) rather than on the basis of the originally agreed mortality tables Heubeck 2005G and that for contributions as from 2026 a discount rate of 5% rather than 6% will be used, both leading to smaller future service accruals than under the original plan rules.

For employees who joined the Group from January 1, 2022, the aforementioned plan was closed and replaced by a new plan under which old-age pension benefits are granted based on real contributions made into a contractual trust arrangement ("**CTA**"), *i.e.*, this plan is funded. The amount of the pension benefits under this new plan reflects the capital resulting from the investment of the contributions, but in any event 80% of all contributions made in favor of the relevant beneficiary. Invalidity and death benefits are based on re-insured direct commitments which are only given for one year and renewed subject to the Group's discretion. While this new system in general only applies to employees of some German Group companies who commence employment as from January 1, 2022, employees of certain Group companies who used to be members in the aforementioned (virtual) contribution-based scheme were transferred into the new plan upon safeguarding of past-service accruals.

In addition to the employer-sponsored schemes the Group operates in Germany, besides certain pension schemes that are funded via third party providers such as pension insurance funds, an employee-sponsored salary conversion scheme for managerial employees and a similar scheme for non-managerial employees. The schemes are operated in the form of direct commitments and provide for capital payments for managerial employees and annuities for non-managerial employees. The benefits are calculated based on an actuarial conversion of the contributions made by the employees in each year. The underlying plans have been amended in the past, in particular to decrease the annual return rate used for the calculation over time.

The Group is currently considering establishing a non-insured pension fund in addition to the existing CTA for purposes of a potential funding of certain pension liabilities relating to the unfunded direct commitments in Germany.

In addition to the German pension schemes, the Group operates further, less significant defined benefit plans in other countries, mainly in the U.S. and the UK.

12.12 Intellectual Property

The Group creates, owns, uses and maintains a significant global portfolio of IP assets, including registered IP rights such as patents, utility models, trademarks, design rights, internet domain names, and applications for the aforementioned, as well as non-registered IP rights such as copyrights and trade secrets. Besides other factors, both in terms of reputation and technical progress, IP rights are of great importance for the success of the Group. To protect and enhance its competitive position in the various geographic regions in which it operates, the Group pursues a global IP strategy. This is achieved by effective management of the Group's IP assets. IP assets worldwide are centrally managed and coordinated by the Group's in-house IP teams at the Company in Stuttgart and Weissach, Germany. External IP law firms support the Group on various IP matters that occur in the Group's business, such as the monitoring and filing of IP rights as well as defending IP rights, asserting IP rights against third parties infringing such rights and defending the Group against infringement allegations by third parties.

12.12.1 Patents and Know-How

The Group owns a portfolio of approximately 10,300 patents, patent applications, and utility models in various countries worldwide, including Germany and other European countries, the U.S. and China. A small portion of these rights (approximately 7%) is co-owned with third parties. Less than approximately 25 of the Group's patents and utility models will expire by the end of 2022. The Group constantly applies for new patents and utility models. In most cases, the Group acquires patent rights by exercising its rights to employee inventions and by filing them for registration. In 2021, the Group remunerated more than 1,100 of its employees as inventors, making overall inventor remuneration payments in 2021 of approximately EUR 1.5 million. While patent protection plays an important role for the Group, non-patentable or deliberately not patented proprietary technology of the Group is also protected as know-how and trade secrets through various confidentiality measures that the Group has implemented, including, with a view to third parties, confidentiality clauses in certain agreements and separate non-disclosure agreements. The Group believes that the measures implemented to protect its confidential information are sufficient and in line with customary practices in the business.

12.12.2 Trademarks, Design Rights and Domain Names

Trademarks and design rights are key drivers for the Group's business and its reputation for high-quality products. The Group generally seeks broad territorial protection of its trademarks and design rights in its key markets, in particular the EU, China and the U.S. In certain markets, the level of statutory protection is lower. Generally, the more important a trademark or design right is for the Group, the wider its global scope of protection spans.

The Group owns the material trademarks, logos and design rights used in its business. The over 6,300 individual trademark registrations and applications of the Group cover a broad range of names, brands and logos of the Group, including the Group's key brands "Porsche" and the "Porsche Emblem", as well as all of the Group's model names, *e.g*., "Carrera", "Boxster" and "Panamera". The Group sometimes registers new trademarks through a third party to not have to disclose its ownership of such trademarks earlier than intended. As part of this strategy, the Group registered the "Taycan" trademarks through a trustee. Some of these trademarks are still registered in the name of the trustee but will be registered for the Group in due course.

The design right portfolio of the Group consists of approximately 7,300 individual and collective design right registrations and applications, with a territorial focus on Germany, the European Union, China and the U.S. The design rights relating to shapes of vehicles and vehicle parts are registered for the Company. Some design rights protecting certain merchandise products, *e.g.*, suitcases, leather goods and pens, are currently owned by the Company's 100% subsidiary, the Porsche Lifestyle Group.

The Group also owns more than approximately 4,500 domain names including, among others, domain names containing the terms "Porsche", "Porschedesign", "Porsche-Engineering" and various product/model names, *e.g.*, "Carrera" or "Cayenne" in various spellings and with different top-level domains. To a large extent, no separate website is operated under these domains. They are registered to direct traffic to domains that can be associated with the Group and its products to its own websites.

To achieve proper IP protection at an early stage and to prevent third parties from using any new names and designs of the Group, the Group seeks to protect new names as trademarks and domain names and shapes/ designs of new vehicles and vehicle parts as design rights with the respective IP offices worldwide. Because of a third party's prior trademark registration, the Group is currently prevented from registering the trademark "P in Triangle" in China for vehicles and vehicle parts and thus from enforcing rights on this basis. The Group labels many vehicle components with the "P in Triangle" trademark label in a location that is not externally visible where it serves as an indication of quality. The third party with the prior rights has tolerated the Group's use of the "P in Triangle" trademark in China for many years. See also "*1.3.10 The business of the Group relies on the adequate protection of its IP, trade secrets and know-how, and third parties may claim that the Group infringes their IP rights*".

12.12.3 IP Legal Proceedings

For a description of the IP legal proceedings, see "*12.17.7 IP Legal Proceedings*".

12.12.4 IP Agreements

The Group enters into licensing agreements from time to time for the use of IP in the ordinary course of its business. These agreements mostly concern the licensing-out of patents and know-how to third parties or the licensing-in of patents and know-how from third parties. Most of the licenses are granted non-exclusively. The Group has also concluded (sub-)licensing agreements with other entities of the Volkswagen Group. The IP sublicensed from Volkswagen AG covers particularly technology of other market participants in the automotive sector. Under cross-license agreements concluded with other OEMs on a non-exclusive basis, the Group also partially sublicenses the in-licensed technology to other entities of the Volkswagen Group. Besides the Group's main business field in the vehicle sector, the offering and distribution of high-quality merchandise products and products of the "Porsche Design" brand is also a relevant business for the Group. In this context, the Company has granted a license in trademarks to its wholly-owned subsidiary the Porsche Lifestyle Group with the right to grant sublicenses to third parties. In the course of its business, the Group is also active in areas relating to branding of real estate/hotel, gaming (use of Porsche cars in video games) and sponsoring and granting third parties rights to use its trademarks and design rights in those specific sectors. If necessary, the Group also seeks to license rights from third parties. The licensing of third-party trademarks and design rights, however, only has a minor relevance for the Group's business because the Group relies on its own trademarks for these purposes.

The Group is also party to several IP-related agreements with or in connection to the Volkswagen Group:

With respect to research and development within Volkswagen Group, the module framework agreement (*Modulrahmenvertrag*), which will be replaced by the joint development framework agreement (*Gemeinschaftsentwicklungsrahmenvertrag*), and the group research agreement (*Konzernforschungsvertrag)* are of particular relevance. To streamline the joint development of modules for vehicles within Volkswagen

Group's module strategy, the Company has been a party to the module framework agreement since 2012 with certain Volkswagen Group companies including Volkswagen AG. The agreement aims to increase the use of modules within the branded vehicles of the Volkswagen Group companies and to make greater use of intra-group product development and engineering capacities. The module framework agreement provides that all contracting parties that decide to participate in a specific joint module development, receive joint ownership in the respective development results. Patents are managed in the name of the respective lead developer of a certain module and registered in the name of all participating parties whose employees made respective inventions. The agreement is expected to be replaced by a joint development framework agreement. This agreement will include additional areas such as electric driving and integration of digital technologies in vehicles. The joint development framework agreement will also be concluded between the Company and certain Volkswagen Group companies and provide for, *inter alia*, the joint ownership and non-exclusive right to use the jointly developed work results.

The Company is currently working with Audi to develop the PPE, a modular platform for electric cars under a joint development agreement (*Zusammenarbeitsvertrag*) (see also "*12.2.4 Performance BEV transition leadership*" and "*12.6.1.3 Vehicle Architecture*"). The agreement governs the cooperation of the Company and Audi in the joint development, change management, product upgrades, advancement and use of the PPE and allocates the development tasks relating to the individual modules between the parties. The scope of the joint development agreement is limited to the specific PPE modules. The joint development agreement provides that the Company and Audi receive joint ownership in a development result, if each party has borne costs for the development. Patents are managed and registered either in the name of the party whose employees made the respective inventions, or in the name of both parties if the work result was achieved by employees of both contracting parties. The joint development agreement provides that the cooperation can be extended to other companies.

The Company is party to the group research agreement under which the Company and several Volkswagen Group companies agreed to undertake joint efforts in research and forward-looking and interdisciplinary projects in the automotive technology. IP rights and know-how created under this agreement belong to the contracting parties that have created them, whereas all parties to the agreement receive a non-exclusive right to use and exploit the created work results for their own products and services. As almost all group research activities are carried out by Volkswagen AG, work results created under the agreement and protected as patents afterwards are in general managed by and registered in the name of Volkswagen AG. Under the industrial cooperation agreement (see also "*14.1.4 Industrial Cooperation Agreement between the Company and Volkswagen AG*"), Volkswagen AG agreed to improve the current decision-making and prioritization processes provided in the group research agreement within an interim period to strengthen the influence of the companies on the research project portfolio. The group research agreement remains unchanged until the completion of this process (see also "*14.1.4.2 Continuation of Existing Cooperations and Organizational Decision-Making Structures*").

The Group has in place a number of joint development and related agreements relating to strategic projects (see "*12.9 Joint Ventures, Strategic Partnerships and Participations*"). While in some cases the Company concluded the agreements itself, it has entered into many joint ventures and strategic partnerships with Volkswagen Group. The companies also cooperate in the fields of platform development and autonomous driving.

For instance, the Company is working together with the Volkswagen Group, including CARIAD, to develop a unified Volkswagen Group technology and software platform (*i.e.*, the E3 1.2 platform). In connection with this, the Company has entered into a cooperation framework agreement with Volkswagen AG, Audi and CARIAD. The cooperation framework agreement is complemented by several additional agreements including license and service agreements as well as asset provisioning agreements. Under the asset provisioning agreement between the Company and CARIAD, the Company licenses or transfers certain tangible and intangible assets but no trademarks, patents and utility models of the Company to CARIAD and is granted a non-exclusive back-license to use the transferred intangible assets as necessary for its business. Certain patents and utility models are licensed on a non-exclusive basis by the Company to CARIAD under the patent license agreement they have concluded. The ancillary license and service agreement between the Company and CARIAD provides that CARIAD develops and licenses certain automotive software and related hardware which are, depending on the individual service descriptions, owned or exclusively respectively non-exclusively licensed by the Company. For a detailed description of these agreements, see "*14.1.7 CARIAD Cooperation Framework Agreement and Related Contracts*". See also "*1.1.6 The Group's ability to introduce its next generation of vehicles and electrify its existing product lineup depends in large part on the development of next-generation vehicle hardware and software architecture. The failure of certain software platforms and* *applications and related hardware architecture to be developed, delivered and rolled-out in a timely manner has led to the Group delaying product launches, and there is a risk of similar occurrences in the future*".

In the field of automated and autonomous driving, the Company licenses certain patents to Volkswagen AG, enabling Volkswagen AG to sublicense such patents to Argo AI, a developer of software and technology for autonomous driving systems, which uses the Company's patents together with further IP rights of Volkswagen AG to, *inter alia*, develop a virtual driving system which it supplies to Volkswagen AG, Ford and their related companies afterwards.

Besides cooperation with Volkswagen Group, the Group has entered into a number of development and supply agreements with various partners which include transfers and/or licenses of the relevant IP to the Group. For instance, with approximately 90% of its suppliers the Company concludes nomination agreements based on an internal template. The agreements provide that the Company receives the generated contractual services and work results and may exploit them exclusively for seven years. The contracting suppliers also indemnify and hold the Company harmless from third-party IP claims. The Company is also party to a number of funded cooperation and consortial agreements with third-party industry and research partners, under which the Company and its partners cooperate on various projects, with a particular focus on charging systems, BEVs and batteries. Most agreements contain customary provisions that IP rights created under such agreements can be sublicensed, *e.g.*, to the Group companies.

In the context of trademark licensing, the Company has granted a license to Volkswagen AG for the use of the trademark "Tiptronic", and conversely Volkswagen AG licenses the term "Cross" to the Company for use in the model name "Taycan Cross Turismo".

12.13 Information Technology

IT is an integral part of the Group's operations and strategy. The Group's IT infrastructure, application and product portfolio covers the Group's entire business, including research, engineering, procurement, manufacturing, sales, logistics, services and business processes, internal and external communications, as well as the delivery of customer-facing digital services such as My Porsche App, Digital Sales and the digital support for vehicle services. The IT systems are designed and organized to support the Group's strategy, daily business operations, compliance, monitoring, financial information, and reporting. The Group commits significant resources to leverage the opportunities of digital transformation as well as maintain and optimize its IT portfolio. This is provided primarily through an internal staff of approximately 700 employees working together with approximately 300 experts at Porsche Digital, with Porsche Digital's teams working at multiple international innovation hubs (see "*12.4.9.2 Porsche Digital*"), as well as through employees from MHP, with additional support from external IT partners.

The Group leverages cloud-based technologies from Microsoft Azure and Amazon Web Services (AWS) and increasingly runs its IT infrastructure on cloud environments as part of its digital transformation strategy. The Group's substantial owned data centers are located in Stuttgart-Zuffenhausen, Weissach and Atlanta. Business services are also provided from data centers in Wolfsburg owned by the Volkswagen Group. The Group's wide area network (WAN) is independent of the Volkswagen Group. For its business administration needs, the Group has a strategic partnership with SAP and concerning communication and collaboration leverages software from providers such as Microsoft.

The Group collaborates with the Volkswagen Group on IT, particularly within the business areas of research and development and procurement. Additionally, there are collaborations in the areas of production, aftersales and vehicle services, among others. This IT cooperation is provided as part of a comprehensive framework IT services agreement and individual agreements.

The Group's business and operations generate large amounts of data, including personally identifiable data from customers and business partners. For customer-facing digital services, the Group utilizes for example internal, unique customer identities which are not shared with and thus are independent of the Volkswagen Group. Data security regarding both data protection and regulatory compliance is a core tenet of the Group's IT operations. The planning for the implementation of new IT products and services considers regulatory measures and requirements and includes the monitoring and adjusting of ongoing processes for regulatory compliance reasons.

The Group has also implemented an internal information security program, which is based on international standards and has protective measures in line with industry standards and general best practices. This information security program focuses on identifying potential information security risks for the Group, in particular those related to its digital transformation strategy such as cloud security and secure software development. The information security program is reviewed annually and updated when necessary. The Group has completed external audits such as UNECE ACSMS in 2021 and holds an active certificate for ISO 27001 for Development and Operation of IT services covering infrastructure, cloud and collaboration platforms as well the Group's business areas.

New regulatory requirements for cybersecurity and cybersecurity management systems are also considered in the constant development of the Group's IT practices and policies. The Group strives to identify cyber threats over the entire lifecycle of its applications and systems and to deal with these threats in line with their perceived seriousness. Therefore, cyber-attacks are continuously monitored and addressed by the Group's cybersecurity team. The Group pays particular attention to risks that could result in the disruption of its business processes due to the failure of IT systems or which could cause the loss or corruption of data. The Group uses coordinated technical and organizational security measures to address the advancing digitization and connectivity of its production equipment and products.

12.14 Risk Management and Compliance

12.14.1 Risk Management

The Group's risk management function is organized in a decentralized manner, encompassing a Group-wide risk network controlled by a central risk management function. Each specialist division within the Group and each subsidiary of the Company is represented within the risk network by appointed risk managers. The Group believes this organization emphasizes the importance of risk management and its positioning within the overall Group, as well as strengthening the visibility and therefore effectiveness of the Group's risk network.

In line with this decentralized structure, the Group's risks are identified, assessed and managed first at the specialist division and subsidiary level. The relevant risk managers at this level are supported by the Group's Risk Management Department ("**FGR**"), which sets minimum methodological standards and consolidated reporting. The Group's risk management strategy is focused on the four pillars of accepting, avoiding, reducing and transferring risk, with core risk categories of strategic risks, financial risks, operational risks, supply chain risks, personnel risks and sales risks. FGR manages the Group's risk network and consolidates risk reports.

The operational risk category comprises the Group's Internal Control Systems ("**ICS**"), which supports the management of operational risks by creating control mechanisms to safeguard process stability and to ensure compliance in relevant business areas, such as tax or customs. The ICS function is integrated across the Group's risk management and IT systems and the Group's divisions and subsidiaries are provided with an integrated ICS app. The Group's ICS function includes an annual control process with the aim of identifying, testing and reporting on risks and defining and implementing corrective measures. The findings of this control process are reported by FGR to the Company's Executive Board.

With regard to current (acutely imminent) risks, quarterly reporting to the Executive Board takes place based on individual risks, which are reported, identified and constantly monitored by the specialist division or subsidiary. If two or more individual risks can be assigned to a topic with related content, FGR forms a risk cluster. The aim of risk clusters is to make a risk assessment and quantification more efficient and transparent. For material risks, FGR conducts simulations based on risk scenarios and calculates the overall risk position of the Group, taking into account interdependencies. Future risk avoidance is led by FGR as part of a root cause analysis, which focuses on preventing the reoccurrence of risks or mitigating them to the extent possible. The Group believes this analysis also promotes the establishment of an open error culture, which in turn promotes the avoidance or mitigation of risks in the future.

Further, the Group's risk map contemplates climate change related risks of a physical (*e.g.*, extreme weather events) and legal (*e.g.*, climate change regulation) nature. As with the other risk categories described above, the Group's risk management strategy seeks to identify and avoid or mitigate the impacts of these risks where possible.

The Group views its risk culture as being highlighted by a high degree of corporate risk awareness and as emphasizing the transparent handling and consideration of risks in corporate decisions. A core element of this risk culture is the proactive communication of risks—employees and managers are given the ability to report risks carefully and promptly via Group-wide reporting channels and are supported across the Group by FGR and the relevant risk managers.

The Group believes its employees involved in risk management are sufficiently qualified and trained. The Group updated existing and developed new comprehensive risk management training modules in 2021. The aim of the training is, among other things, to enable the risk managers and employees involved in the risk management process to apply the knowledge they have gained about risk management methods and processes in the best possible way. Aspects of the training are mandatory for functions directly involved in risk management; voluntary training is also administered by FGR in the form of digital refresher training courses. FGR continuously monitors training progress as a key performance indicator, with a training quota of 100% for all involved employees of the Company and its affiliated subsidiaries in 2021.

The Group's BCMS function ensures the recovery of business operations after major incidents such as pandemics or large fires. The Group's BCMS seeks to reduce the impact on the Group of unexpected interruptions to essential and time-critical business processes, the occurrence of which could lead to financial damage, breaches of legal requirements and reputational damage. Critical resources, such as crucial IT systems, machinery and technical equipment and human resources are identified by the extent of their business impact and resource analysis and are safeguarded by BCMS measures. The Group's BCMS ensures the availability of backup resources such as backup IT systems, such that in the case of an interruption to or loss of a business process, the relevant information remains secured and can be re-applied in a shorter timeframe than in the absence of the BCMS. See also "*1.2.2 The Group is exposed to various operational risks in connection with the use of information technology*".

12.14.2 Compliance

The Group views compliance with applicable laws and acting with integrity as a key part of its overall goal of promoting corporate responsibility. The Group seeks to promote legally compliant conduct by means of a compliance structure based on the Group's business model. This includes legal procedures as well as preventive and reactive measures. The Group's compliance management system ("**CMS**") currently encompasses six compliance topics, including anti-corruption and anti-money laundering measures. With its adopted CMS structure, the Group seeks to prevent violations of the law and help its employees act in accordance with applicable legal and statutory provisions. The CMS includes a Chief Compliance Officer, compliance topic owners covering specific compliance topics at the Company and local compliance officers at certain Group companies.

As part of the CMS, the Group has developed a "**Code of Conduct**" which defines the fundamental principles the Group and its employees must abide by to ensure that its business activities are conducted in compliance with applicable laws and the standards of the Group. The Code of Conduct is oriented on three pillars: the responsibility of the Group and its employees as members of society, as business partners and in the workplace. Topics covered by the Code of Conduct include human rights, equal opportunity and treatment, product conformity and product safety, environmental protection, conflicts of interest, compliance with anti-money laundering rules, insider trading, occupational safety and healthcare, data protection and IT security, among others. The Code of Conduct is binding on the Group and its employees. Managers and other employee groups are given targeted information and training on compliance and the related risks as a means of sustainably promoting lawful behavior.

The Group's "**Whistleblower System**" serves to support Group employees and third parties reporting on potential violations of the Code of Conduct and applicable laws as well as potential breaches of regulatory obligations and other issues. The Group is committed to maintaining an open reporting culture and as such is committed to protecting whistleblowers and concerned persons. The Whistleblower System is responsible for the acceptance and processing of tips of potential violations and ensuring that every tip is treated confidentially, neutrally and fairly. For submitting a tip, both the Group's internal whistleblower function as well as external lawyers (ombudspersons) are available with various reporting channels. The ombudspersons are available to whistleblowers as contact persons via various reporting channels free of charge.

In addition, the Group has developed a "**Code of Conduct for Business Partners**" which, subject to incorporation into the contractual relationship, defines the fundamental principles to be complied with by its business partners, suppliers, competitors and public officials and their respective employees (collectively, "**Business Partners**"). Subject to incorporation into the contractual relationship, the Code of Conduct for Business Partners applies to Business Partners, and in cases where Business Partners appoint other third parties, the Group requires that the Code of Conduct for Business Partners is forwarded to these other third parties and that they commit to abide by it. The Code of Conduct for Business Partners covers many of the same topics as the Group's Code of Conduct, as well as Business Partner-specific topics such as avoiding slave and child labor and due diligence procedures in the supply chains for minerals from conflict and high-risk areas. Business Partners are obligated to report reasonable suspicions of potential violations to the Group to the Whistleblower System. In cases where the Group sources materials from or through the Volkswagen Group, the Volkswagen Group's code of conduct applies.

The Executive Board and the Supervisory Board of the Company receive regular reports on action taken by the compliance organization and on the preventive and reactive measures implemented by the Group.

The compliance topic owners conduct regular compliance trainings in collaboration with the human resources department of the Company. The training progress made at the Company in the course of the year is monitored, with the final training status reported to the Compliance Council, the Executive Board and the Supervisory Board. Various virtual and face-to-face trainings were conducted in 2021 within the Company, along with updates to and publishing of a digital learning module focused on the Code of Conduct.

12.15 Insurance

The Group has global insurance coverage which the Group considers to be in accordance with commercial industry standards and reasonably sufficient to cover risks normally associated with its business activities, including general liability, product liability, property damage and business interruption, cargo, cyber, and D&O insurance.

12.16 Material Agreements

12.16.1 Financing Agreements

Financing Agreement with Volkswagen AG as Lender

On July 4, 2013, the Company entered into a German law governed unsecured revolving credit facility agreement, as amended from time to time, with Volkswagen AG in an amount (subsequent to an increase of the facility amount by a supplemental agreement) of up to EUR 4,000 million (the "**Porsche Volkswagen Agreement**"). The Porsche Volkswagen Agreement is intended as a general funding line and is concluded for an indefinite period. The credit facility can be utilized according to a prior mutual agreement between Volkswagen AG and the Company. As of the date of this Prospectus, the facility under the Porsche Volkswagen Agreement was not drawn. The credit facility can be utilized as loans with a fixed term of up to one year and as overnight loans. The interest rate applicable for loans with a fixed term is the aggregate of a variable reference rate (EURIBOR), a risk premium and a margin per annum, according to the Volkswagen Group's transfer pricing guidelines. The interest rate for a loan with a fixed term is payable at the end of the relevant term and, respectively, the agreed interest period. In the case of an overnight loan, the interest rate is the aggregate of a variable reference rate, a risk premium and a margin per annum, also determined in accordance with the Volkswagen Group's transfer pricing guidelines. Volkswagen AG may cancel the Porsche Volkswagen Agreement with three months' written notice to the end of each calendar quarter.

Regarding the intention to replace the financing with Volkswagen AG with a third-party revolving credit facility following the completion of the Offering, see "*10.11.1 Overview*".

12.16.2 Industrial Cooperation Agreement between the Company and Volkswagen AG

For information on the Industrial Cooperation Agreement, see "*14.1.4 Industrial Cooperation Agreement between the Company and Volkswagen AG*".

12.16.3 Cariad Cooperation Framework Agreement and related contracts

For information on the Cariad Cooperation Framework Agreement and related contracts, see "*14.1.7 CARIAD Cooperation Framework Agreement and Related Contracts".*

12.16.4 Pre-IPO Spin-Off

For information on the Pre-IPO Spin-Off, see "*14.3 Pre-IPO Spin-Off*".

12.17 Legal and administrative proceedings

The Group is currently involved in legal disputes and administrative proceedings as a result of its ordinary course business activities, including in Germany, the United States and elsewhere.

Other than the proceedings described below, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past significant effects on the Company's and/or the Group's financial position or profitability. For risks relating to legal and administrative proceedings of the Company and the Group, see also "*1.3 Legal, regulatory and tax risks*".

12.17.1 Proceedings related to diesel engines

12.17.1.1 *Proceedings in the United States and Canada*

On November 2, 2015, the EPA issued a notice of violation of the Clean Air Act and its implementing regulations ("**EPA's Notice of Violation**") to Volkswagen AG, Volkswagen Group of America, Inc., the Company and its subsidiary PCNA, alleging that certain 3.0 liter V6 Volkswagen Group diesel engines sold in the United States, including the engines used in the Porsche Cayenne 3.0 liter V-6 diesel model ("**Porsche Cayenne Vehicles**"), violate applicable emissions certification standards. The underlying issue related to discrepancies between emission values achieved in testing and in actual road use due to an alleged modification of parts of the software of the engine control unit, which was alleged to constitute an unlawful "defeat device" as defined by United States law. The software for the 3.0 liter diesel engines built into Porsche Cayenne Vehicles was not developed by Porsche, nor were the engines built by Porsche.

On November 25, 2015, CARB issued a notice demanding that PCNA take "corrective action" to address the alleged emissions issue. The Company voluntarily halted the sale of approximately 11,500 vehicles with 3.0 liter V6 U.S. diesel engines affected by EPA's Notice of Violation pending a decision and recertification by the United States authorities.

On January 4, 2016, the United States DOJ (Civil Division) filed a civil complaint in the United States District Court for the Eastern District of Michigan, on behalf of the EPA, against the above-mentioned companies, including the Company and PCNA, alleging various violations of the U.S. Clean Air Act with respect to 3.0 liter diesel vehicles sold in the United States.

On June 27, 2016, the People of the State of California, acting by and through CARB and the California Attorney General, filed a complaint in the U.S. District Court for the Northern District of California against Volkswagen AG, Volkswagen Group of America, Inc., Volkswagen Group of America Chattanooga Operations LLC, the Company and PCNA, among others, alleging violations of the Consumer Financial Protection Act of 2010, the California Health & Safety Code ("**HSC**") and related regulations, the California Civil Code, and the California Business and Professions Code with respect to 3.0 liter diesel vehicles in California.

The EPA and CARB complaints alleged that the engine and related software in these 3.0 liter diesel vehicles contained prohibited defeat devices that modified the emissions system such that during normal vehicle operation and use the levels of NOx emitted were significantly in excess of the EPA- and CARB-compliant levels. The EPA complaint further alleged that the Company, PCNA and the other defendants "knew or should have known that the software logic and/or calibrations" constituted a defeat device that allowed the vehicles to be certified even though the actual emissions exceeded EPA standards.

Further proceedings were initiated by other authorities and institutions over the course of 2016, including the DOJ (Criminal Division), state attorneys general, the U.S. Federal Trade Commission (the "**FTC**") and an investigative inquiry by the U.S. Customs and Border Protection ("**CBP**").

In addition, beginning in September of 2015, various class action lawsuits were filed against the Company and PCNA in U.S. federal courts on behalf of a group of customers that sought compensation for any impact related to the allegations related to the Porsche Cayenne Vehicles, model year 2013 to 2016, sold or leased in the United States (the "**3.0 Liter Diesel Class Actions**").

The 3.0 Liter Diesel Class Actions, along with above-mentioned proceedings brought by the DOJ (on behalf of the EPA), CARB and the California Attorney General (on behalf of the People of the State of California) and the FTC, were subsequently consolidated and transferred to a multi-district litigation in the United States District for the Northern District of California, MDL No. 2672 (the "**MDL**"). Certain cases in the MDL also sought compensation for any impact that may result from any government-approved modification of the vehicles.

The above-mentioned proceedings and investigative inquiries by the DOJ (on behalf of the EPA), CARB and the California Attorney General (on behalf of the People of the State of California), the FTC and the CBP as well as the 3.0 Liter Diesel Class Actions were subsequently resolved through a series of settlements.

Effective September 1, 2016, the United States District Court for the Northern District of California entered a Partial Consent Decree agreed to between the Company, PCNA and the State of California regarding injunctive relief with respect to certification and advertising.

On May 17, 2017, the United States District Court for the Northern District of California approved the following settlements resolving certain claims against the Company and PCNA relating to the 3.0 liter diesel vehicles.

- First, the court approved a partial consent decree as agreed to between the Company, PCNA and the United States (on behalf of the EPA) resolving allegations regarding excess emissions (the "**Second Partial Consent Decree**"). Separately, the court entered a Second Partial Consent Decree as agreed between the Company, PCNA and the People of the State of California acting by and through the Attorney General of the State of California and CARB (the "**California Second Partial Consent Decree**") resolving the remaining aspects of the California state law claims referred to above by requiring the defendants to contribute to the increased availability of zero emission vehicles in California, among others.

  The Second Partial Consent Decree and the California Second Partial Consent Decree together resolved the Company's and PCNA's liability to the United States and California for injunctive relief under the Clean Air Act and the HSC based on facts disclosed prior to October 24, 2016; neither decree resolved civil penalties, criminal liability, or claims of other U.S. agencies, such as the FTC. The Second Partial Consent Decree allowed for performance of an "Emissions Compliant Recall" (which PCNA has implemented and continues to offer); it required Volkswagen AG, the Company and PCNA to make a USD 225 million payment to the Volkswagen Environmental Mitigation Trust (the "**Mitigation Trust**") (which has been made); it provided for stipulated penalties for failure to meet deadlines imposed by the consent decree and for noncompliance with certain terms; it requires regular reporting to the government, including reports of violations of the consent decree within 10 business days after the day the Company and PCNA first reasonably believe that a violation has occurred or may occur; it imposed liability for stipulated penalties and additional Mitigation Trust payments to the United States and California for violations of the Second Partial Consent Decree, unless excused; and it imposed additional requirements. In 2017 and 2018, EPA and CARB issued approvals for the Emissions Compliant Recalls for all affected Porsche Cayenne Vehicles. On October 31, 2018, the parties agreed to modify the Second Partial Consent Decree to clarify that the Company may repair certain technical issues with Emissions Compliant Recall.

- Second, the court approved a settlement between the Company, PCNA and settlement classes of consumers and reseller dealerships in relation to the 3.0 Liter Diesel Class Actions resolving allegations related to the Porsche Cayenne Vehicles (the "**3.0 Liter Diesel Class Actions Settlement**") by agreeing on an emission compliant repair to be performed on the vehicles, cash payments to eligible owners, lessees and former owners and lessees, and an extended emissions warranty on the vehicle once the repair is performed. The settlement class includes most owners, lessees, and reseller dealers in the United States who owned or leased model year 2013-2016 Porsche 3.0 liter diesel vehicles at or around the time the EPA issued notices of violation publicly disclosing that these vehicles had a prohibited "defeat device". Under the 3.0 Liter Diesel Class Actions Settlement, class members who did not opt-out of the settlement class were eligible to receive one or more monetary and other remedies, including a vehicle buyback, restitution payments, trade-in credit, and/or an emissions modification and extended warranty. In return, class members broadly released any and all present or future claims they might have in connection with their vehicles against the Company, PCNA, and other related persons and entities. Although certain class members opted out of the 3.0 Liter Diesel Class Actions Settlement, all of those actions have now been resolved through separate settlements.

- Finally, the court also entered a stipulated order for permanent injunction and monetary judgment agreed to between PCNA and the FTC, wherein PCNA did not admit liability to the allegations, but agreed to offer repairs and other remedies to owners of the Porsche Cayenne Vehicles.

On April 13, 2017, the United States District Court for the Northern District of California approved a partial consent decree agreed to between the Company, PCNA and the United States (on behalf of the EPA) addressing civil penalties for violations of the Clean Air Act and injunctive relief to prevent future violations (the "**Third Partial Consent Decree**"). In July of 2017, the Company and PCNA entered into a third partial consent decree with California (the "**California Third Partial Consent Decree**") that imposes similar standards on injunctive relief as the Third Partial Consent Decree.

The Third Partial Consent Decree required Volkswagen AG, the Company and PCNA to pay USD 1.45 billion as a civil penalty (which has been paid) to resolve the civil claims under the United States' Clean Air Act for civil penalties and injunctive relief related to (l) any conduct described in the complaint; (2) any conduct related to the emissions, or compliance with U.S. emissions standards, of the subject vehicles; and (3) any conduct related to the subject vehicles and disclosed by or on behalf of the Company or PCNA or otherwise known to EPA as of the date of the Consent Decree, and to settle the civil claims of the CBP, as set forth in the separate Settlement Agreement between the CBP and Defendants. The Company and PCNA were not required to be supervised by an external monitor.

The Third Partial Consent Decree and the California Third Partial Consent Decree also subjected the Company and PCNA to extensive injunctive relief, including implementing measures to ensure that employees involved in certification testing and monitoring are organizationally separate from those involved in product development and, consistent with the Porsche Remediation Plan, improve policies, procedures, practices, or processes for the development of vehicles that include emission control systems designed to comply with U.S. laws and regulations, including California laws and regulations related to emissions standards and certifications; required the Company and PCNA to implement the Porsche Remediation Plan; required the Company and PCNA to implement a whistleblower system; required the Company and PCNA to modify supplier contracts to include standardized requirements pertaining to conformity with U.S. legal requirements (including California requirements) for vehicle emissions, certification, and information reporting; required the Company and PCNA to revise its corporate Code of Conduct to include compliance with environmental laws or regulations and to conduct training; required the Company and PCNA to submit semi-annual reports on the implementation of the Porsche Remediation Plan and conduct and complete an internal audit to track the implementation of internal procedures relating to approval procedures or software development in the Product Development Process; provided for stipulated penalties for violations of the consent decree; and imposed additional requirements.

The civil fraud claims by CBP against the Company and PCNA, among other Volkswagen Group companies, arising from the illegal importation of affected vehicles, were resolved through a settlement in January of 2017.

On October 23, 2017, the U.S. authorities approved the software update submitted for review by the Volkswagen Group relating to emissions compliant repair ("**ECR**") for around 38,000 U.S. vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 Porsche Cayenne Vehicles began in November of 2017. The requisite software update was successfully rolled out in financial year 2018.

Volkswagen AG and other Volkswagen Group companies, including the Company or PCNA, have also reached separate agreements with attorneys general of all 50 U.S. states, the District of Columbia and Puerto Rico, to resolve their existing or potential consumer protection and unfair trade practices claims in connection with certain diesel vehicles, including the Porsche Cayenne Vehicles.

Volkswagen AG and other Volkswagen Group companies, including the Company or PCNA, have also reached separate agreements with attorneys general of seventeen U.S. states (California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington) to resolve their existing or future claims for civil penalties and injunctive relief for alleged violations of environmental laws.

In the United States, the following diesel-related proceedings are still pending:

The attorney general of Texas and thirty counties in Texas have suits pending against PCNA alleging violations of state environmental laws. All cases, except for the cases filed by the State of Texas, Harris County and Fort Bend County, are currently abated, and the lawsuits have been consolidated into a state-level MDL proceeding. While PCNA has been served, including by the State of Texas and Harris County, none of the Texas plaintiffs have served the Company. On July 9, 2018, the Company filed a Fourth Amended Special Appearance in response to purported service by Fort Bend County. Accordingly, there are currently no live claims against the Company in the MDL proceeding in Texas. PCNA filed a Motion for Summary Judgment in the MDL in Texas seeking to dismiss all claims; this motion was granted on April 11, 2018, with regard to original tampering claims but denied with regard to any alleged tampering post sale. On August 1, 2018, PCNA, together with the other defendants, asked the Texas Third Court of Appeals to review that decision. On December 17, 2018, PCNA asked the trial court to reconsider its decision and, in the alternative, to allow PCNA to appeal. The Third Court of Appeals declined to review the trial court decision on August 26, 2019. On September 26, 2019, PCNA, together with the other defendants, asked the Texas Supreme Court to review the trial court decision and to stay discovery. The Texas Supreme Court declined to do so on November 22, 2019.

In addition, outside of Texas, two counties (Hillsborough County, Florida and Salt Lake County, Utah) have suits pending against PCNA alleging violations of environmental laws. On December 21, 2017, PCNA, together with the other defendants, filed a motion to dismiss all claims of both counties. On April 16, 2018, the trial court granted that motion. On June 1, 2020, the Ninth Circuit Court of Appeals affirmed the dismissal of the original tampering claims but reversed the dismissal with regard to any alleged tampering post sale. On July 30, 2020, PCNA, together with the other defendants, requested that the full Ninth Circuit review that decision. On August 24, 2020, the Ninth Circuit Court of Appeals denied that request. On January 21, 2021, PCNA, together with the other defendants, sought to appeal the Ninth Circuit decision to the U.S. Supreme Court. On November 15, 2021, the U.S. Supreme Court declined to hear PCNA's appeal. On July 22, 2022, PCNA, together with the other defendants, filed a Motion for Partial Summary Judgment seeking to dismiss Hillsborough County's claim, and certain of Salt Lake County's claims, on the basis that any alleged tampering post sale had the effect of reducing emissions.

In Canada, regulatory proceedings and civil consumer claims were commenced arising out of the matter described in the EPA's Notice of Violation. Settlements of nationwide consumer class actions were made in January of 2018, which, *inter alia*, provided for cash payments for completing free vehicle emissions modifications, buy-backs/trade-ins and early lease terminations, as applicable. Also, concurrent with the timing of the consumer settlements, Porsche Cars Canada, Limited resolved civil regulatory inquiries by the Commissioner of Competition in Canada. In December of 2019, the Canadian federal government filed charges against Volkswagen AG in respect of 2.0l and 3.0l Volkswagen AG vehicles at the conclusion of investigation into these matters. Volkswagen AG cooperated with the investigation and agreed to a plea resolution addressing all of the charges. In January of 2020, Volkswagen AG pleaded guilty to the charges and agreed to pay a penalty of CAD 196.5 million, which was approved by the applicable court. This resolution was in satisfaction of all potential claims against Volkswagen Group entities and persons with respect to federal environment laws.

An environmental class action was authorized on behalf of residents in Quebec. This action was authorized by the court on the sole issue of whether punitive damages could be recovered, and on the basis that unresolved questions about the viability of plaintiffs' damages theory would be a matter for trial. This case has been settled for an all-inclusive payment of CAD 6.7 million. The settlement includes a release and dismissal of claims in respect of Porsche vehicles.

Other class action and joinder lawsuits were also filed in Canada, including alleged consumer protection claims asserting damages, among other things, but those have all been discontinued or dismissed as against the Group.

12.17.1.2 *Proceedings in Germany*

In Germany, the Company has been involved in governmental proceedings with the KBA as well as in administrative offense (*Ordnungswidrigkeitenverfahren*) and criminal proceedings since 2017 in relation to allegedly prohibited defeat devices in diesel vehicles that modified the emissions system such that during normal vehicle operation and use the levels of NOx emitted were significantly in excess of compliant levels.

In July of 2017, the KBA ordered conversion measures (*Umrüstungsmaßnahmen*) due to allegedly prohibited defeat devices for the diesel engines in the Cayenne V6 TDI EU6. In 2018, the KBA ordered conversion measures for further Porsche vehicles with diesel engines (Cayenne V8 TDI EU5 and EU6, Macan V6 TDI EU6) due to allegedly prohibited defeat devices.

In July of 2017, the public prosecutor's office in Stuttgart initiated a criminal investigation into the diesel issue against one member of the Board of Management as well as a total of six employees or former employees of the Company on suspicion of fraud and false advertising. The proceedings against the member of the Board of Management were discontinued against a payment without a finding of wrongdoing while a single penalty order (*Strafbefehl*) regarding a limited number of EU vehicles between 2016 and 2017 was issued against another employee. The said employee did not appeal the order to conclude the matter.

On January 21, 2019, the public prosecutor's office in Stuttgart initiated administrative offence proceedings regarding the Company's diesel vehicles pursuant to Sections 30 and 130 of the German Act on Breaches of Administrative Regulations (*Ordnungswidrigkeitsgesetz*—OWiG), which ended with a fine notice issued by the public prosecutor's office in Stuttgart on May 7, 2019. The fine notice was based on a negligent breach of supervisory duty in the organizational unit Overall Vehicle Development/Quality—Testing Facility *(Prüffeld Entwicklung Gesamtfahrzeug/Qualität*) or its respective successor organization. The fine notice imposed a total fine of EUR 535 million, comprising a penalty payment of EUR 4 million and the forfeiture of economic benefits amounting to EUR 531 million. The Company did not appeal the decision to conclude the matter, rendering the fine notice legally binding. The fine has been paid in full, thus ending this administrative offense proceedings against the Company.

In Germany, approximately 480 civil proceedings relating to the diesel issue are pending.

In addition to the foregoing matters, the Company has also been involved in other administrative proceedings with respect to diesel vehicles.

In 2018, KBA ordered conversion measures for the Panamera V8 TDI EU6 due to individual non-conformities relating to a calibration error and a long-term emission stability issue.

Separately, the Company has also been involved in administrative proceedings with the KBA with respect to so-called "thermal windows" in diesel vehicles. Based on industry-wide standards, many automotive manufacturers' diesel vehicles, including those of the Group, have what is known as a so-called "thermal window". Although the specific details of thermal windows may vary by manufacturer and model, the thermal window is essentially a function in which the exhaust gas recirculation rate ("**EGR**") is gradually reduced or shut down completely outside a certain temperature range depending on the ambient temperature. In November of 2019, the KBA opened administrative proceedings to determine whether thermal windows in Porsche Cayenne and Panamera V6 TDI EU5 diesel models were permissible in light of the conditions set out in Article 5(2)(a) of Regulation (EC) No. 715/2007, in particular the need for the device to be justified in terms of protecting the engine against damage or accident and for safe operations of the vehicle. After reviewing the facts, the KBA did not declare the examined thermal windows to be impermissible. The Company committed to the KBA to implement a software update in the Cayenne and Panamera V6 TDI Gen 2 EU5 models and initiated such implementation in Germany, which has since been extended to the EU and the UK. The software updates in relation to these vehicles are ongoing.

12.17.1.3 *Proceedings in other jurisdictions*

A number of further investigations, individual proceedings and class actions are pending around the world against the Group as well as against its executive directors with regard to diesel engines, including the following:

In the Netherlands, Stichting Diesel Emissions Justice ("**SDEJ**") has initiated a class action lawsuit against Volkswagen AG and the Company, among others, on March 13, 2020. SDEJ's alleges that the Company has equipped and sold cars which (allegedly) contain an impermissible defeat device. SDEJ's position is that it represents a European class of car purchasers. On March 30, 2022, the district court of Amsterdam rendered an interim judgment deciding that it does not have jurisdiction regarding non-Dutch car purchasers and that the old Dutch class action regime is applicable. The district court also ordered SDEJ to explain the relation between its class action and the one initiated by Stichting Car Claim, which came to a final judgement in first instance on July 14, 2021, as both proceedings are governed by the previous (old) Dutch class action regime and relate to the same subject matter. SDEJ lodged an appeal against the March 30, 2022 judgement. The district court has decided to stay the proceedings in the first instance in order to await the outcome of the appeal.

In Belgium, one class action and two collective actions against the Company and others are pending. In August of 2020, one of these collective actions was filed by SDEJ, a foundation incorporated under Dutch law against Volkswagen AG and the Company, among others (in the presence of *NV D'leteren Automotive*). The Belgian proceedings are currently de facto stayed until further notice with view to the parallel SDEJ proceedings in the Netherlands. As of the date of the prospectus, SDEJ has not taken any steps to reactivate the proceedings before the Brussels court following the Amsterdam court's interim judgment from March 30, 2022. The class action in Belgium was filed by the consumer organization *VZW Belgische Verbruikersunie Test-Aankoop* against Volkswagen AG, Seat S.A., Skoda Auto A.S. and the Company, among others (in the presence of *NV D'Ieteren Automotive*) in June of 2016. Another collective action was filed against the same five defendants by *CVBA Consumentenorganisatie Verbruikersunie Test-Aankoop* in October of 2016. After the Brussels court rendered an interim judgment, the class action only relates to the EA189 engine. The collective action on the other hand is not limited to the EA189 engine but also includes V-TDI engines which were installed in the Company's vehicles.

In addition, in 2021 a new lawsuit was filed in the High Court of England and Wales against Volkswagen AG, Volkswagen Financial Services (UK) Limited and other Volkswagen Group companies, including the Company, in connection with diesel vehicles with various engine types leased or sold in England, Wales, and Northern Ireland since 2009. No Claim Form has been served yet on any Volkswagen Group entity and the claims are uncertain in scope.

In 2020, the South Korean Ministry of Environment ("**MoE**") imposed fines on Porsche Korea ("**PKO**") regarding the vehicle models Cayenne V6 TDI EU6 and Macan V6 TDI EU5 in the amount of approximately EUR 3 million and EUR 750,000, respectively. After the competent administrative court had overturned the fine notice regarding the Cayenne V6 TDI EU6, MoE announced to impose a new fine on PKO. With regard to these issues, criminal proceedings have been initiated against PKO and a former managing director. The criminal proceedings in relation to the Cayenne V6 TDI EU6 have been discontinued. After the criminal proceedings in relation to the Macan V6 TDI EU5 had been discontinued, the consumer protection organization that had filed the criminal complaint appealed against the prosecutor office's non-indictment decision in August of 2022. So far, a decision about this complaint has not been made. Local counsel currently expects that such decision will probably take several months. Thus, this complaint is still pending. In any case, PKO has not yet been charged in these proceedings. Other criminal proceedings in South Korea regarding the Cayenne V6 TDI EU6 and the Macan V6 TDI EU5 and EU6 are either still ongoing or have been temporarily suspended. The KFTC has initiated proceedings against PKO on suspicion of unfair advertising (unlautere Werbung) in connection with the vehicle models Cayenne V6 TDI EU6 and Macan V6 TDI EU5 and EU6 and instructed PKO to refrain from using markings or advertising for the relevant vehicles expressing the vehicles comply with the Korean Clean Air Conservation Act without imposing a fine. In July of 2022, PKO pro-actively disclosed their intention to the Korean National Institute of Environmental Research ("**NIER**") to implement a software update for vehicles of the model type Cayenne V8 TDI EU5 on the Korean market. The background of the decision to also offer this software update to customers in Korea was KBA's order in 2018. As a precautionary measure, PKO had suspended the sale of new and used Cayenne V8 TDI EU5 vehicles in Korea after the KBA's decision in 2018. The discussions with NIER in this respect are currently ongoing.

12.17.1.4 *Indemnification Matters*

In light of the pending proceedings involving the Company and Audi in particular in Europe, Volkswagen, the Company and Audi agreed in December of 2018 to not discuss a final and conclusive indemnification at present and therefore to enter into a mutual agreement to not plea the statute of limitations in relation to claims in connection with diesel engines until July 31, 2023, which was subsequently extended to July 31, 2025.

12.17.2 Proceedings in relation to automatic transmissions

In November of 2016, the EPA issued a request for information to Volkswagen Group of America and Volkswagen AG regarding certain software functions (unrelated to the diesel issue) in certain vehicles certified by Volkswagen AG in the United States. The request included every gasoline-powered vehicle test group with a gear shifting software program or "transmission warm-up" mode or similar transmission warm-up strategy, modes, or functions certified in the United States for model year 2013 to model year 2017. Although this request was not issued to the Company or PCNA, certain Porsche vehicles were equipped with these transmission functions. In December of 2016, CARB requested similar information from Volkswagen Group of America and Volkswagen AG related to automatic transmissions in certain vehicles. The testing of certain Company vehicles in connection with the information requests resulted in CO_2 differences that led to (1) a one mile per gallon change for some Company vehicles, when rounded according to the EPA rules, in the fuel economy disclosed on the "*Monroney label*" required by U.S. regulations, (2) differences in GHG reporting, and (3) differences in CAFE.

The changes in fuel economy, greenhouse gases, and corporate average fuel economy were addressed with EPA and the NHTSA through (i) an update to greenhouse gas and corporate average fuel economy credits and (ii) an update to fuel economy numbers on relevant government websites. CARB has not taken action with respect to this topic.

The Company and PCNA, together with the Volkswagen Group, have resolved civil litigation liability related to "transmission warm-up mode" with consumers in the U.S. A settlement with customers regarding impacted Volkswagen Group vehicles, including vehicles of the Company, was announced in August of 2019. The settlement included those vehicles (i) that contain a relevant "transmission warm-up mode" and (ii) where there was a fuel economy impact for consumers of at least one mile per gallon. The settlement received final approval and the case was dismissed by court order in March of 2020. The agreement covered approximately 50,000 model year 2013–2016 Porsche Cayenne vehicles. The value of combined compensation paid to the class was approximately USD 96.5 million for all affected Volkswagen Group vehicles, of which USD 61.7 million was attributable to Porsche Cayenne vehicles.

A similar settlement was approved by the Courts in Canada in September of 2020, though the fuel economy impact was measured in liters/100km and the settlement provided payments to consumers for vehicles that contained a relevant "transmission warm-up mode" where the fuel economy impact for consumers deviated 2% or more from the original statement. The agreement covered approximately 5,527 model year 2013–2016 Porsche Cayenne vehicles. The value of combined compensation paid to the class was CAD 4.95 million for all affected Volkswagen Group vehicles, of which approximately CAD 2.49 million was attributable to Porsche Cayenne vehicles. A certification hearing has been scheduled in the British Columbia Supreme Court for November 22, 2022.

12.17.3 Potential regulatory issues relating to sport functionalities as well as hardware and software components used in certain type approval measurements for gasoline vehicles

The Company has identified certain potential regulatory issues relating to gasoline powered vehicles for various markets worldwide. Unrelated to the diesel issue, there are questions as to the use of specific hardware and software components used in certain type approval/certification measurements for gasoline vehicles, which were in certain cases not used in the field and in relation to specific sport functionalities (Sport/Sport+ functionality and Sport ENA). While not being related to each other, the issues were examined in a combined internal investigation. As regards the certification topic, the main objective of the Company's analysis and investigation into the certification issue was to determine whether software and/or hardware was allegedly used for type approval/certification measurements but not in series vehicles in certain cases and whether such issues resulted in actual fuel consumption being higher than listed in certifications and customer materials. As regards the sports functionalities topic, it was reviewed what, if any, impact on emissions and fuel consumption certain sports functionalities had.

The Company self-disclosed the topics to the DOJ and cooperated with the agency in its inquiry into these topics and has been informed that the DOJ has closed that inquiry. The Company has also cooperated with relevant authorities including the public prosecutor's office in Stuttgart, which investigated, in particular, the certification matter in Germany. The public prosecutor's office in Stuttgart has dismissed the case against all (former) Porsche employees and former members of the Company's Executive Board initially with regard to the certification matter investigated. No formal (criminal) investigation has been opened against the Company in Germany.

In July of 2021, the KBA ordered conversion measures regarding the certification topic in three different vehicle models (Macan I S, Macan I Turbo and 981 Spyder). The Company initiated recalls in relation to the 981 Spyder model in January of 2022. The KBA also agreed with the proposed technical solutions for the other two models. Porsche is currently initiating the field updates of these vehicles. In Germany, as of August 31, 2022, the Company was aware of 7 civil lawsuits pending in civil courts and 1 out-of-court proceeding (*außergerichtliches Verfahren*) in relation to these regulatory topics.

In the United States, six different class actions relating to these issues have been filed to date, which were consolidated in 2021 in a multi-district litigation with the U.S. District Court for the Northern District of California, alleging that the affected vehicles used certain software and/or hardware that resulted in overstated fuel economy estimates as compared to the results of certification testing. It was also alleged that certain sport functionalities led to higher emissions. In December of 2021, a draft settlement regarding the relevant vehicles was negotiated with the plaintiffs' representatives in the amount of USD 80 million (plus a potential "top up" of another USD 5 million), covering certain US gasoline model years from 2005 to (and including) 2020. The settlement agreement relates to certain gasoline powered vehicles for which testing indicates that the miles per gallon as represented on the "*Monroney*" fuel economy label may not be accurate and which will be revised, certain other vehicles which may exceed certain emission limitations when driven in user-selectable sports modes, along with certain additional vehicles. A corresponding provision was recorded in the Company's consolidated financial statements. In June of 2022, the settlement agreement was signed and filed with the court for approval. The court granted preliminary approval of the settlement agreement on June 29, 2022. Final approval is expected in October of 2022. Porsche also disclosed these topics to other U.S. agencies. Porsche expects a resolution with CARB regarding the settlement of the topics "Sport/Sport+ mode", "Sport ENA" and an unrelated "unapproved pressure relief valve" topic in the near future. Appropriate GHG and CAFE credit updates are in process with EPA and NHTSA. Based on the information available, none of these proceedings relate to any vehicles currently in production and have no bearing on the safety of the vehicles.

Based on EU Regulation (EU) 2018/858, the Group's vehicles may as a matter of course be subject to regulatory tests, inquiries or other procedures by regulatory authorities within the EU in their role as market surveillance authorities even if type approvals were granted by the approval authority of another EU member state. For example, the Company has received a regulatory inquiry regarding certain software functionalities in two specific Porsche models, for which type approvals were granted by the approval authority of another EU member state, in the context of vehicle sound level testing methods that were applicable until June of 2016. Depending on the outcome of any such regulatory tests or inquiries, market surveillance authorities may require the Group to make technical modifications, which may also result in adverse media coverage and possibly also litigation.

In Canada, in February and March of 2021, plaintiffs in British Columbia and Quebec filed claims seeking to represent a putative class of Canadian purchasers and lessees of certain model year 2007–2017 Porsche gasoline-powered vehicles against the Company, Porsche Cars Canada, Ltd., and Volkswagen AG. They alleged that the affected vehicles used certain software and/or hardware that resulted in increased CO_2 emissions and overstated fuel economy estimates as compared to the results of certification testing. The claims also alleged that certain Porsche gasoline-powered vehicles did not meet emissions requirements in the Sport (+) driving modes. The claims are at a preliminary and pre-certification stage. The Company has submitted notice of defect regarding the sport functionalities and related certification issue to Canadian authorities which may give rise to potential liability for regulatory non-compliance. Environment Canada and Climate Change (the federal environmental regulator) has requested that it be kept apprised of these matters, including the certification matter (which is not the subject of a notice of defect), and the Company will continue to do so.

In South Korea, discussions with the Korean Automobile Testing & Research Institute (KATRI) regarding the certification topic are ongoing.

12.17.4 Proceedings related to product liabilities

Like other companies in the automotive industry, the Group is from time to time subject to product liability cases, including class actions in the United States and elsewhere. For example, in the United States, the Group is currently defending (i) a class action alleging defects that causes the Porsche Communication Management unit in certain Porsche vehicles to enter into a continuous reboot loop, (ii) a class action alleging that Macan SUVs from 2014 to present have an engine defect causing excessive oil leaks and that Macan control arms bushings prematurely deteriorate and eventually fail and (iii) a class action alleging that Cayenne V8 and Panamera V8 and certain V6 engines have a cooling system defect regarding pipe connections to the engine, causing coolant to leak out excessively.

Further, in August of 2022, a class action was filed in the United States in which plaintiffs assert claims against the Company and PCNA, along with other major OEMs, which allege that toroidal gas hybrid airbag inflators manufactured by ARC Automotive, Inc. and installed in the Group's vehicles are defective. The defect is alleged to cause the inflators to rupture and potentially cause harm to vehicle occupants. The plaintiffs have requested a jury trial.

12.17.5 Tax Proceedings

In August of 2017, the Criminal and Fine Matters Office (*Straf- und Bußgeldsachenstelle*) of the Stuttgart II Tax Office (*Finanzamt Stuttgart II*) initiated proceedings of disorderly conduct (*Ordnungswidrigkeitenverfahren*) on suspicion of violation of supervisory duties against three current and three former members of the Executive Board of the Company as well as the Company as a secondary party (*Nebenbeteiligte*). It was alleged that, as a result of a breach of supervisory duties, there were numerous cases of incorrect tax treatment, including the incorrect assessment in a total of 15 areas.

In May of 2019 search measures were carried out on the business premises of the Company on behalf of the public prosecutor's office Stuttgart in respect of three current and one former Executive Board members of the Company on suspicion of tax evasion and breach of trust (*Untreue*). In this regard, according to the investigating authorities, there was an initial suspicion (*Anfangsverdacht*) that the Company, as an employer, had granted remuneration payments and other pecuniary benefits at least since 2009 to a former member of the Works Council (who was also prosecuted on the suspicion of tax evasion) solely due to his work as a member of the Works Council. It was alleged that these remuneration payments and pecuniary benefits were incorrectly deducted from the taxable profits of the Company, which, *inter alia*, led to the submission of incorrect corporate and trade tax reports.

In the further course of the proceedings, all above-mentioned investigations were combined. The official investigation was completed in 2021 after reaching a joint understanding with the Company and the involved former and current Executive Board members. In this context, the proceedings against the originally accused former and current members of the Executive Board of the Company were all discontinued without the Executive Board members being fined.

The Company was notified by the public prosecutor's office in Stuttgart of a payment obligation of EUR 40 million (comprising a EUR 9.9 million fine and an additional EUR 30.1 million recovery and disgorgement portion (*Einziehungs- und Abschöpfungsanteil*)), paid in 2021, in connection with the aforementioned matters due to alleged violation of supervisory duties with respect to the incorrect tax treatments mentioned above as well as in connection with certain benefits gained by the former member of the Works Council.

12.17.6 Antitrust regulations, related enforcement actions and damage claims

12.17.6.1 *Government/regulatory measures and antitrust proceedings by governmental authorities, including the EU Commission*

Porsche is subject to antitrust regulation in the European Union and other jurisdictions and is therefore exposed to risks regarding related enforcement actions and damage claims. The commercial vehicle industry is subject to heightened scrutiny by antitrust authorities.

Initiated by a leniency application of Daimler AG ("**Daimler**"), the European Commission conducted inspections at the premises of several European car manufacturers (including Volkswagen AG and Audi) in 2017. The Volkswagen Group (including the Company) also filed a leniency application in July of 2016. In September of 2018, the European Commission instituted formal proceedings with regard to alleged anti-competitive practices among German car manufacturers relating to the development and implementation of emission cleaning technologies in diesel and gasoline vehicles. On July 8, 2021, the European Commission issued a settlement decision against the Volkswagen Group, as well as two other German manufacturers of passenger-vehicles, for the alleged violation of the EU's antitrust provisions in relation to SCR systems for passenger vehicles with diesel engines in the European Economic Area between June of 2009 and October of 2014. The Volkswagen Group (including the Company) fully cooperated with the European Commission throughout the whole investigation. With its decision, the European Commission imposed total fines of approximately EUR 875 million against the respective passenger vehicle manufacturers, of which approximately EUR 502 million were imposed against the Volkswagen Group (including the Company). The announced fine took into account the Volkswagen Group's leniency application. The fine has already been paid by Volkswagen AG.

Also initiated by a leniency application of Daimler in June of 2020, the TCA started its investigations into conduct similar to that covered by the European Commission's investigations. In January of 2022, the TCA, issued its final short-form decision determining that the alleged anticompetitive behaviors had no effects in Turkey and thus did not impose any fine on the Volkswagen Group (including the Company). The TCA has, however, not yet issued a reasoned decision. The Volkswagen Group (including the Company) is currently assessing to appeal the decision, as the TCA made statements on substance in its decision although it confirmed that it has no jurisdiction due to a lack of local effects.

The KFTC is also investigating potential infringements based on the facts that have already been subject to the European Commission's investigation. The Korean investigations were also initiated by a leniency application of Daimler. The final report of the case handler has been issued in November of 2021 and does not foresee a monetary fine against the Company. The Volkswagen Group (including the Company) replied to this report in April of 2022. A final decision has not yet been issued by the authority.

Lastly, the SAMR has initiated an investigation based on a similar set of facts as those subject to the European Commission's investigation against the Volkswagen Group (including the Company) and other German manufacturers of passenger vehicles. The authority has issued several requests for information. This investigation is still ongoing.

In another matter, on March 15, 2022, the European Commission conducted unannounced inspections at the premises of companies and associations active in the automotive sector located in several Member States and sent out formal requests for information to other companies in parallel. The inspections were conducted in coordination with the CMA. Neither the Company nor its UK subsidiaries were subject to those inspections. However, the Volkswagen Group has received a formal request for information from the European Commission also covering the Company as a wholly-owned subsidiary of the Volkswagen Group. The investigations concern potential infringements in relation to the collection, treatment and recovery of end-of-live vehicles and vans. The investigations are preliminary investigatory steps and do not prejudge their outcome. The Company and its UK subsidiaries, as part of the Volkswagen Group, are cooperating with the European Commission and the CMA. Against this background and due to the early phase of the investigations, it cannot yet be predicted whether and if, to what extent, the investigations will finally lead to a determination of an antitrust law violation and respective monetary fines.

12.17.6.2 *Private Enforcement, Follow-on-Litigation*

Subsequent to the European Commission's settlement decision in July of 2021, as of today 18 group damage claims have been brought against, *inter alia*, the Company (including UK subsidiaries of the Company), other car manufacturers and several UK car dealerships before English courts. One additional claim was brought, however, the claimants failed to serve this claim on the company in time. Moreover, further claims have been brought against the other German car manufacturers, in which the Company and its UK subsidiaries are not included. It is assumed that all of these claims cover antitrust law elements. At this stage, no documents have been made publicly available and the claims have not been served yet to the Company and its respective subsidiaries. However, the Company anticipates that these claims will be follow-on claims from the European Commission's proceedings in relation to emission cleaning technologies and/or claims relating to the diesel litigation (and may therefore overlap with the UK proceedings mentioned in section *12.17.1.3 Proceedings in other jurisdictions*). There is a further risk that the Company may be added to the claims against other German car manufacturers in which it is not currently included or be the subject of contribution claims from the defendants of those claims. All proceedings with respect to the existing claims are still at an early stage and their outcome cannot be assessed with any certainty.

Based on the allegation that several car manufacturers had colluded to unlawfully raise vehicle prices in violation of U.S. antitrust and consumer protection laws, in 2017 cartel class actions were brought against the Company, one of its subsidiaries and other subsidiaries of the Volkswagen Group before courts in the U.S. In October of 2020, the U.S. District Court for the Northern District of California dismissed the claims. The claimants appealed against this decision. In October of 2021, the U.S. Court of Appeals confirmed the decision of the U.S. District Court for the Northern District of California and dismissed the claimants' appeal. The claimants have appealed against this decision of the U.S. Court of Appeals. In June of 2022, the U.S. Supreme Court declined this appeal and the dismissal of the cartel class actions against the Company, one of its subsidiaries and other subsidiaries of the Volkswagen Group became final and binding. Complaints against several car manufacturers, including the Company and its Canadian subsidiaries, as well as other subsidiaries of the Volkswagen Group, on similar grounds on behalf of alleged classes of purchasers are also pending in Canada. Neither provisions nor contingent liabilities have been stated so far as it is still not possible to evaluate these proceedings at present due to their early stage. The Company and its Canadian subsidiaries will also contest the claims in Canada if the claimants actually pursue them.

12.17.7 IP Legal Proceedings

The Group is occasionally involved in IP disputes, for example regarding trademarks, patents, or copyrights, during the ordinary course of its business activities, both as a plaintiff and as a defendant.

The Company is currently involved in a copyright proceeding regarding the creation of the Porsche 356 and its successor model, the Porsche 911. The plaintiff is the heir to one of the designers of the Porsche 356 and claims that the Porsche 911 implements relevant parts of this design. The complaint claims an appropriate share in the revenues from the sale of the Porsche 911 (model 991) from 2011 onwards. The first two instances dismissed the complaint, finding that the design of the Porsche 911 was developed by the Company and not based on the 356 model. The Federal Court of Justice referred the case back to the Higher Regional Court Stuttgart in April of 2022 for procedural reasons. The case only concerns a claim for compensation and not a claim for cease and desist and therefore does not threaten any limitations on the Group's business operations.

Besides one patent infringement proceeding currently pending against several defendants, including the Company and PCNA before the District Court of Delaware regarding the alleged infringement of three U.S. patents concerning LED headlights, the Group is currently not involved in any further proceedings in which a third party is alleging an infringement of its patents by the Group. This includes the space of standard-essential patents and connected cars, one of the most relevant fields for patent litigation in the industry in recent years. In this context, the Group has taken a license from the Avanci patent pool for patents in the 2G/3G/4G telecommunications standards, which bars members of the Avanci patent pool from asserting their rights against the Group. In the past, Avago/Broadcom have also alleged that the Company infringed their patents by using certain communication chips. The various complaints have, however, been settled in 2018 by Volkswagen AG taking a license in the relevant patents of Avago/Broadcom, which license also covers the Group. In the ordinary course of its business, the Group has also settled a number of other patent litigation proceedings by concluding settlement and license agreements with third parties, mainly from the technology sector.

The validity of some patents of the Group is challenged in opposition proceedings by third parties, and the Group is also in the process of challenging the validity of several patents owned by third parties. If a third-party patent is not revoked or its scope is not limited in an opposition proceeding initiated by the Group, the Group licenses third-party patents when necessary to operate its business. The number of these proceedings (a total of approximately 10 currently pending) is relatively low in comparison with the size of the Group's overall patent portfolio of over 10,300 patents. The Group also challenges trademark registrations of third parties to which it has better rights, defends itself against alleged infringements of IP rights of third parties and is actively enforcing its own IP rights against third-party infringement, where appropriate. The brand protection measures of the Group include seizure actions, customs seizures and measures against counterfeits on online platforms. By way of example, the Group is currently enforcing its rights in a criminal proceeding before the Regional Court Aachen against third parties who were offering and placing on the market counterfeit vehicles under the Group's brand.

13 REGULATORY ENVIRONMENT

13.1 Overview

The Group's operations and the products it manufactures are subject to laws, rules and regulations at international, EU, national, state and municipal levels. In particular, such laws, rules and regulations include but are not limited to environmental law, labor and employment protection law, hazardous substances and chemicals law, export control regulations, IP law, consumer protection law, product warranty and product liability law, energy law, banking and insurance law, antitrust law, tax law, anti-money laundering law, data protection law and criminal law.

At the EU level, for example, the legal and regulatory environment in which the Group operates includes numerous EU directives, which are implemented in the individual EU member states ("**Member States**") through national legislation, and regulations, which apply directly. In the United States, the legal and regulatory environment consists of laws and regulations promulgated at both the federal level and the individual state level. In China, the legal and regulatory environment consists of national level laws, administrative regulations, local regulations, central government departmental rules and local rules in the order of hierarchy. In addition, international agreements, including bilateral and multilateral agreements between countries concerning customs duties or other regulations related to the import and export of products, apply directly or indirectly to the Group.

The legal and regulatory requirements applicable to the Group are diverse, wide-ranging and may impose conflicting obligations and limitations on the Group. The cost of compliance with legal and regulatory requirements can be significant and is ongoing. All of these laws, rules and regulations are subject to frequent, sometimes unpredictable, changes and are supervised by the relevant authorities in each of the jurisdictions in which the Group conducts its business. The legal and regulatory environment which may materially affect the Group's business operations, broken down by Group segment and general category of regulation, is described in further detail below. Any reference in this section to any legislation or regulation is deemed to refer to such legislation or regulation as amended, supplemented or otherwise modified, and all further rules and regulations promulgated thereunder, unless the context requires otherwise.

13.2 Automotive business and product-related regulations

The automotive business is in particular subject to regulations concerning the development, design, production and sale/distribution of vehicles, individual and spare parts, as well as product-related regulations.

13.2.1 Industrial environmental control

13.2.1.1 *Requirements in Member States of the European Union*

All legal systems of the Member States of the European Union impose environmental rules, prohibitions, and restrictions, including but not limited to regulations on air pollutants, chemicals, heavy metals, persistent organic pollutants ("**POPs**"), and biocides. In the European Union, the regulatory framework in the environmental control area is widely harmonized. The Group must comply with these regulations in its manufacturing, logistics and transport processes and in its end products. Due to the variety of such regulations and legislative dynamics, the subsequent paragraphs can only highlight some important examples of such regulations, but not provide an exhaustive summary of environmental laws and regulations to comply with.

The Group is subject to the EU Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 ("**REACH**")) and Regulation on Classification, Labelling and Packaging of Substances and Mixtures (Regulation (EC) No 1272/2008 ("**CLP**")). REACH requires manufacturers and importers of chemicals to identify and manage risks linked to the substances they manufacture and place on the market, to submit a registration dossier for substances produced or imported in quantities of one ton or more per year per company, and to provide their downstream users with the risk information they need to be able to use the substances safely. In addition, for "substances of very high concern", REACH may either require authorization for further use or impose restrictions in the future, which may delay or increase the costs of operations. CLP complements REACH by requiring suppliers of substances and mixtures, including manufacturers, downstream users and distributors, to apply harmonized criteria to their classification, labeling and packaging.

The Group must also comply with the Stockholm Convention on Persistent Organic Pollutants, which the European Union adopted as Regulation (EU) 2019/1021 ("**POP Regulation**"), restricting or, in some cases, prohibiting the production, placing on the market, release and use of numerous POPs, and the Biocidal Product Regulation (Regulation (EU) 528/2012), which regulates placing on the market and use of biocides and anti-microbial substances. In addition, the Group must comply with Directive 2011/65/EU ("**RoHS Directive**") on the restriction of the use of certain hazardous substances, such as lead, mercury, hexavalent chromium, and cadmium in electrical and electronic equipment.

Substance restrictions under the POP Regulation and REACH in some cases prohibit the placing on the market in the EU of articles containing certain substances. This is particularly relevant in relation to spare parts for products which were designed before a relevant restriction was adopted and which are no longer in mass production ("**legacy parts**"). Similar problems may arise if a substance is placed under an authorization requirement under REACH and may, therefore, not be used for the production of legacy parts without a corresponding authorization. REACH and the POP Regulation do not include general exemptions with regard to legacy parts (so-called "repair as produced" clauses). In contrast, a "repair as built" clause is included in the RoHS Directive, applying, *inter alia*, to spare parts for the repair, the reuse, the updating of functionalities or upgrading of capacity of electrical and electronic equipment (i) placed on the market before July 1, 2006 or (ii) that was outside the scope of the first RoHS Directive 2002/95/EC and which was placed on the market before July 22, 2019.

Directive 2004/35/EC on environmental liability establishes a comprehensive liability system, based on the "polluter pays" principle, for damage to protected species and natural habitats, waters and soil. Operators of specifically listed activities that cause environmental damage or direct danger of damage to these natural resources could be held responsible for restoring the damage caused, or made to pay for restoration, irrespective of whether they are at fault. For operators of other activities fault-based liability exists for damage to protected species and natural habitats.

Under Directive 2000/53/EC on end-of-life vehicles (the "**ELV Directive**", see also "*13.2.13 Reuse, recycling and recovery*"), automotive-specific restrictions apply for the use of certain heavy metals in passenger cars and light commercial vehicles.

Furthermore, in Germany, the Group is subject to several national environmental laws and regulations in respect of its operations, properties, products and waste including, in particular, the German Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*) and related ordinances, the German Water Resources Act (*Wasserhaushaltsgesetz*), the German Chemicals Act (*Chemikaliengesetz*), the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*), and the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*, "**KrWG**") and related ordinances. The KrWG places the general obligation on waste generators and owners to recover or, if proper recovery is not possible or economically unreasonable, properly dispose of their respective waste. Furthermore, *inter alia*, generators, owners, collectors and transporters of waste must demonstrate to the competent authority and to other parties that they have properly disposed of hazardous waste and, subject to a respective order by the competent authority, also of non-hazardous waste.

For some of the Group's operations, including construction, operation and alteration of individual facilities, the Group is required to obtain and maintain permits from governmental authorities. Examples in Germany include emission control permits under the aforementioned Federal Emissions Control Act, building permits under building laws or permits under water laws. Some of these permits, in particular water law permits, might be granted for a specific period only and therefore must be renewed frequently. Non-compliance with permit requirements and environmental laws may trigger administrative fines, and the individuals responsible may also be subject to criminal prosecution. Furthermore, the authority may order operational restrictions or, in a worst-case scenario, a (partial) shutdown of the facility or revocation of the permit. Such developments can also be triggered by legal challenges of third parties, namely neighbors, citizen initiatives or non-governmental organizations whose participation rights have been expanded by the EU public participation directive (Directive 2003/35/EC of the European Parliament and of the Council) and its interpretation by the European Court of Justice, which have been incorporated into the German Environmental Appeals Act (*Umwelt-Rechtsbehelfsgesetz*).

In addition, the German Federal Soil Protection Act and regulations promulgated thereunder, for instance, require property owners and operators of facilities to prevent contamination of the soil by taking necessary precautions. If soil contamination has occurred, property owners, operators of facilities, the party which caused the pollution or its universal legal successor, and in some cases the previous owner, may be held responsible for investigation and remediation measures. In certain cases, a party may even be held liable for the entire cost of remediation, regardless of fault. Non-compliance may result in administrative fines or, in certain cases, criminal liability. The Group's historical and current operations involve the use of hazardous substances. The Group operates and has operated production plants that are or have been located on sites with a history of industrial use, and also by third parties.

13.2.1.2 *Requirements in the United States*

For the U.S. market, the Group has to comply with, *inter alia*, the U.S. Toxic Substances Control Act ("**TSCA**"), which is administered by the EPA. A central foundation of TSCA is the "inventory", which is a list of each chemical substances manufactured, imported into, or processed in the United States. A chemical substance that is not listed on the TSCA inventory cannot be imported without a pre-manufacture notice. The presence of a chemical substance on the TSCA inventory does not guarantee that a chemical can be freely manufactured or imported as there are other TSCA rules imposing certain restrictions.

Manufacturers, processors, and importers are required to report and/or retain certain information, *e.g.*, Chemical Data Reporting ("**CDR**"). The CDR rule requires manufacturers (including importers) to provide EPA with information on the production and use of chemicals in commerce in threshold quantities. The import of any chemical substance, mixture, or article containing a chemical substance or mixture which fails to comply with any TSCA rule or requirement is prohibited. Importers of a TSCA-relevant shipment or authorized agents must certify TSCA compliance prior to release of the shipment at the port.

13.2.1.3 *Requirements in China*

Under the laws of China, the Group has to comply with, *inter alia*, the laws and regulations that prohibit companies from causing environmental pollution and ecological destruction, including but not limited to the Environmental Protection Law, Environmental Impact Assessment Law, Law on Prevention and Control of Environmental Pollution by Solid Waste, Law on Soil Pollution Prevention and Control, Law on Prevention and Control of Atmospheric Pollutions, Work Safety Law and Regulations on Safety Administration of Hazardous Chemicals and the Administrative Provisions for Recycling of Scrapped Motor Vehicles.

Further compliance with the statutory requirements for environmental protection, work safety and handling of hazardous chemicals is necessary. When handling hazardous chemical or hazardous waste, licenses for handling, storage and logistics have to be obtained in advance. In addition, the Group, *inter alia*, is subject to the statutory requirements under the Administrative Provisions on Restriction of the Use of Hazardous Substances in Electrical and Electronic Products (*i.e.*, the so-called China RoHS 2.0).

GB/T 30512 "Requirements for prohibited substances in motor vehicles" regulates the use of certain substances and their compounds in passenger cars and light commercial vehicles. These substance groups are also regulated in Europe in the EU End-of-Life Vehicle Directive, EU-REACH Regulation and EU-POP Regulation. The standard is currently under revision and will become mandatory in the future. A new requirement will be that, as part of the type-approval process for the whole vehicle, a list of homogeneous materials containing the regulated substance groups must be transmitted to an authority server. When changing or extending existing type-approvals, test reports and homogeneous material lists of the concerned vehicle components must also be submitted to the authority.

In case of imports of any chemical substances, the Group must *e.g.*, comply with the Provisions on Environmental Management and Registration of China New Chemical Substance. The Ministry of Ecology and Environment is the department in charge. Any new chemicals which are not listed in the Inventory of Existing Chemical Substances in China are subject to a new chemical registration by the importer, which will only be granted if the substance meets the relevant criteria. New chemicals without registration cannot be imported into China.

With respect to Electrified Vehicles, a series of regulations and technical standards have been issued to regulate the reuse and recycling of power storage batteries. For instance, the Interim Provisions on Administration of Recycling of Power Storage Batteries Used for New Energy Vehicles provide that automobile importers shall bear the primary responsibility for recycling power storage batteries, including battery coding, tracking, recycling and information submission to relevant national platforms.

In case of any violation of any industrial environmental control, administrative, civil and criminal liabilities may be imposed.

13.2.2 Energy security of supply

In case of a general energy supply crisis, the Group will be impacted by European and national laws and regulations aimed at safeguarding the supply of energy to the general public. See "*1.1.3 The Group is dependent on a reliable and affordable supply of energy, as are many of the Group's suppliers. In particular, any shortage of, government restrictions on or an outright stoppage of natural gas supplies to the German or greater European markets would represent a material risk to the Group's business, assets, results of operations, financial condition and prospects*".

For the gas market, the Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply ("**EU Gas SoS**") defines the responsibilities and duties of companies and authorities during three pre-defined crisis-levels: (1) early warning level, (2) alert level and (3) emergency level. The early warning level calls for preparation for potential supply restrictions or outages of the natural gas supply. The alert level indicates a disruption of gas supply or exceptionally high gas demand which results in significant deterioration of the gas supply situation, but where the market is still able to manage that disruption or demand without the need to resort to non-market-based measures. In this case, gas would continue to be available to consumers, though possibly at a higher price. The emergency level indicates a significant disruption to the natural gas supply that cannot be remedied even though all market-based measures have been taken. At that point, designated regulatory bodies would be able to implement non-market-based measures to ensure gas supply to specified customers. The EU Gas SoS is directly applicable in each EU Member State and in Germany is reflected in the German Gas Emergency Plan (*Notfallplan Gas*). The measures laid down in the German Gas Emergency Plan have their legal basis primarily in the Energy Industry Act ("**EnWG**"), the Energy Security of Supply Act (*Energiesicherungsgesetz*, "**EnSiG**") and the subsequent Gas Security Ordinance (*Gassicherungsverordnung*, "**GasSV**").

In Germany, on March 30, 2022, the BMWK declared the early warning (first) level under the Gas Emergency Plan and began preparing for a possible emergency level situation. On June 23, 2022, the BMWK declared that Germany had reached the next level of the Gas Emergency Plan, the alert (second) level.

In the event that an emergency (third) level is declared and the government invokes GasSV, the Federal Network Agency (*Bundesnetzagentur*, "**BNetzA**") is given wide-ranging discretion to issue orders directed at companies which produce, purchase, distribute or supply gas as well as at consumers concerning the allocation, purchase and use of gas. BNetzA may exclude certain consumers from the purchase of gas with the aim of securing gas supplies, including in particular for the benefit of protected customers, namely private households, essential social services and certain district heating systems delivering heat to them, as defined in Section 53 EnWG and Section 1 EnSiG.

Given the broad nature of the GasSV, BNetzA has published a preliminary paper detailing a non-binding sequence of actions it may take should the gas supply situation deteriorate, including issuing orders for a "fuel switch" for power plants and consumers, whereby such power plants and consumers would receive an alternate fuel in lieu of gas, or a reduction in gas consumption at power plants. However, according to the paper, there will be no fixed shutdown sequence by which gas supplies to any customers would literally be shut off. BNetzA would instead take measures depending on the specific situation, taking into account, among other factors, the level of the actual emergency, the lead time needed for a gas consumption reduction and the expected financial damage to the customers in question; in general, the measures to be imposed need to be the mildest possible under the prevailing circumstances. BNetzA should in general take into account existing gas supply agreements but where necessary has the right to demand that such agreements are amended to accommodate its orders or that new agreements are concluded by the parties affected.

If, during the alert level or emergency level pursuant to the EU Gas SoS in conjunction with the German Gas Emergency Plan, a significant reduction in the total gas import volumes to Germany has been declared, all energy supply companies along the supply chain and which are affected by the reduced gas imports have the statutory right under Section 24 EnSiG to temporarily adjust their gas prices *vis-à-vis* their customers to a "reasonable level". This right can however not be exercised as long as a governmental ordinance pursuant to Section 26 EnSiG is in force stipulating the financial compensation of certain gas importers, which can be expected to lead to higher gas prices for consumers of gas. Such an ordinance introducing a surcharge to be applied as of October 1, 2022 came into force on August 9, 2022 (*Gaspreisanpassungsverordnung*).

The German Act on the provision of back-up power plants (*Ersatzkraftwerkebereithaltungsgesetz*) introduced a right of the German federal government, until March 31, 2024, during the alert or emergency level of the gas emergency plan to issue an ordinance to reduce or completely ban the use of natural gas for electricity production in certain (types) of power plants for a period that may not exceed six months. In addition, on August 9, 2022, the Council Regulation (EU) 2022/1369 on coordinated demand-reduction measures for gas introduced the possibility of the European Council to declare a Union alert, *inter alia*, if the alert level under the EU Gas SoS has already been declared in five or more Member States. The Union alert would trigger the obligation of the Member States, including Germany, to reduce their gas consumption by up to 15% compared to the previous five years and would allow the Member States to take appropriate measures to reach this goal.

For the electricity sector, the Regulation (EU) 2019/941 demands that the Member States have risk preparedness plans (*Risikovorsorgeplan Strom*) in place for national and regional crisis scenarios. The German risk preparedness plan identifies the scarcity of gas or coal for electricity production as one possible scenario for an electricity supply crisis. In a situation where the transmission grid operators are no longer able to secure the essential needs of their customers using market- and non-market-based instruments allotted to them under the EnWG to secure the safe functioning of the electricity system, the EnSiG and the subsequent Electricity Security Ordinance (*Elektrizitätssicherungsverordnung*, "**EltSV**") apply. Under the EltSV, the authorities may, under similar pre-conditions as explained above for the GasSV, issue orders *vis-à-vis* producers, distributors and consumers to secure the essential electricity supplies.

13.2.3 Health and Safety

In all jurisdictions in which it operates, the Group must comply with applicable laws and regulations to protect employees against occupational injuries. Under such laws and regulations, employers typically must establish and maintain working conditions that effectively prevent danger to employees. In particular, employers must comply with certain medical and hygiene standards and meet certain health and safety requirements at work, such as carrying out risk assessments and deriving measures for the safety of employees. This is based, for example, on permissible maximum values for noise at the workplace, regulations for the use of personal protective equipment and requirements for ambient temperature, ventilation and lighting, as well as working time and work break regulations.

At the European Union level, Directive 2014/27/EU, *inter alia*, seeks to protect employees from hazards relating to dangerous substances. In Germany, the Occupational Health and Safety Act (*Arbeitsschutzgesetz*), the Industrial Safety Regulation (*Betriebssicherheitsverordnung*), the Hazardous Substances Ordinance (*Gefahrstoffverordnung*), the Ordinance on Workplaces (*Arbeitsstättenverordnung*) and the Technical Rules for Hazardous Substances (*Technische Regel für Gefahrstoffe*) as well as further specific regulations, in part based on EU directives, regulate aspects of the Group's facilities.

13.2.4 Vehicle emission control

The Group is subject to laws and regulations that require it to control automotive emissions, including exhaust gas emission standards, vehicle fuel evaporation standards and onboard diagnostic system requirements. In addition, there are requirements for noise emissions of motor vehicles.

13.2.4.1 *Requirements in Member States of the European Union*

The Group's vehicles must comply with, *inter alia*, increasingly stringent requirements concerning emissions. With respect to exhaust emissions, in order to receive vehicle type approval in the European Union, new passenger vehicles must comply with the strict Euro 6 emission standard, based on Regulation (EC) 715/2007, supplemented by Commission Regulation (EU) 2017/1151 (as amended, respectively). Euro 6, *inter alia*, regulates emissions of carbon monoxide, hydrocarbons, NOx and particulates. Emissions are tested on a dynamometer according to the WLTP, and an additional RDE test. Euro 6 also sets certain requirements for pollution control devices and on-board diagnostic systems. The competent type approval and market surveillance authorities in the Member States of the European Union monitor compliance with the limits and may require non-compliant manufacturers to take certain measures, including a recall of the affected vehicles.

Other than for pollutants, there are currently no regulations directly limiting CO_2 emissions from individual vehicles. However, there are laws and regulations establishing targets and respective penalties for manufacturers with respect to the average CO_2 emissions of new vehicles. For passenger cars, the European Union has implemented mandatory CO_2 emissions targets as provided by Regulation (EU) 2019/631. From 2020, manufacturers must meet a target average of 95g CO_2/km for their new passenger car fleets, which is, since 2021, calculated on the basis of the WLTP. Since 2021, manufacturer/group -specific targets are derived from the 95g CO_2/km target based on their average vehicle weight. New targets will apply from 2025 on. These targets are defined as a percentage reduction compared to the 2021 emission target levels and amount to a 15% reduction from 2025 on and to a 37.5% reduction from 2030 on (in each case compared to 2021) for new passenger cars. A failure to meet the CO_2 emission targets results in an excess emission premium on the automobile manufacturer in an amount of 95 EUR for each g CO_2/km exceeding the limit multiplied by the number of vehicles produced. The regulation grants so-called "supercredits" for zero- and low-emission vehicles (emitting less than 50g CO_2/km; "**ZLEV**") until 2022, thereby leading to a bonus for the target fleet emission value. As of 2023, the supercredit system will no longer apply. Instead, from 2025, certain reliefs up to 5% of the CO_2 emissions target can be achieved depending on the share of ZLEV in the manufacturer's fleet of new passenger cars, provided a 15% (and from 2030 on, 35%) minimum share ("benchmark") is met. For each percentage point by which a manufacturer exceeds the benchmark, it receives a 1% reduction in its fleet limit value. A maximum bonus of 5% is possible. Among ZLEV, plug-in hybrids are weighted less heavily in the sales share than zero-emission vehicles. Specifically, a vehicle with 0g CO_2/km counts as one ZLEV and a car with 50g CO_2/km counts as 0.3 ZLEV, with linear interpolation in-between. In Member States that had less than 1,000 new registrations of ZLEV (as well as a share of ZLEV below 60% of the European Union average) in 2017, each ZLEV passenger car counts by a factor of 1.85. Under certain prerequisites, multiple manufacturer entities can establish a CO_2 emission pool. In this case, each member of the pool is deemed to have met its CO_2 emissions targets if the average emissions of the pool as a whole do not exceed the specific emissions target for the pool. Regulation (EU) 2019/631 also provides for a monitoring and reporting system for fuel consumption and CO_2 emissions of passenger vehicles.

In view of the increased reduction targets under the EU Climate Law (Regulation (EU) 2021/1119), as part of the "Fit for 55" package, the European Commission proposed a revision of the CO_2 standards for passenger cars and light commercial vehicles in July of 2021, which includes, *inter alia*, a reduction of the CO_2 emissions target average for new passenger cars by 55% by 2030 and by 100% by 2035 compared to 2021. Furthermore, the incentive mechanism for ZLEV would be removed as of 2030. As the CO_2 emissions are measured exhaust-based, it would not be possible to meet the envisaged 100% reduction target by 2035 for new passenger cars with a combustion engine, even if (CO_2-neutral) synthetic fuel (*e.g.*, e-fuels) is used. The European Parliament adopted the revision on June 8, 2022 with certain amendments, but without a derogation or offset option regarding climate-neutral e-fuels. The proposed revision was discussed by the member states in the Council of the European Union on June 29, 2022, and an agreement was achieved to reduce CO_2 emission targets by 15% in 2025, by 55% in 2030 and by 100% in 2035 compared to 2021. The EU Commission will be requested to make a proposal on the use of CO_2-neutral fuels as of 2035. As a next step, the Council, the European Commission and the European Parliament will enter into negotiations to reach an agreement on the final legal texts.

13.2.4.2 *Requirements in the United States*

U.S. federal and state governments and agencies (*i.e.*, the EPA and CARB) as well as local authorities have created a suite of vehicle and engine emission regulations aimed at improving local air quality and minimizing the potential effects of global climate change. Currently, under Section 177 of the Clean Air Act, states are permitted to adopt California's criteria pollutant and greenhouse gas regulations, as well as California's Zero-Emission Vehicle regulations. Automobile manufacturers must ensure that their individual vehicles and, in some cases, fleets of vehicles, comply with various pollutant, carbon dioxide, on-board diagnostic, fuel economy, and zero-emission technology requirements. Additional requirements for evaporative emissions and the onboard refueling vapor recovery systems are regulated. Emission and onboard diagnostic requirements become more stringent each year. In particular, increasingly stringent and complex onboard diagnostic standards may lead to increased vehicle recall and warranty costs. The results of various federal and state regulatory and judicial proceedings with respect to fuel quality could also impact a vehicle manufacturer's warranty costs and its ability to comply with the aforementioned emissions standards.

The Group is responsible under these regulations for the performance of vehicle emission control systems, as well as the emission performance of its cars in the field over certain time and mileage periods. Regulatory authorities may conduct ongoing evaluations of the emissions compliance of the Group's products, including vehicle emissions testing and review of emission control strategies. EPA regulations are primarily covered by the following main programs:

- Tier 2 and Tier 3 light-duty emissions regulations: Tier 2 emission standards impose individual vehicle and manufacturer fleet average requirements for tailpipe pollutants. The updated Tier 3 program implements increasingly stringent vehicle and fleet average requirements starting in model year ("**MY**") 2017 and is mostly aligned with California's LEV-III program that started in MY 2015. Further emissions regulations for a Tier 4 program are expected, guided by the LEV-IV program in California (see below). It is anticipated that a Tier 4 program would come into force no earlier than MY 2027.
- Light-duty vehicle greenhouse gas fleet average standard: Starting with MY 2012, each manufacturer must ensure that their fleet of passenger cars achieves an annual fleet average target depending on their average footprint, which is increasingly stringent year-by-year through MY 2025.
- The U.S. Department of Transportation, under Congressional authority, currently regulates light-duty fleet average fuel economy standards under the CAFE program. CAFE standards require each OEM to achieve annual fleet average fuel economy minimum targets for all passenger cars placed on the market in the United States.

The EPA is expected to propose a comprehensive set of standards regarding multi-pollutant emissions for greenhouse gases and criteria pollutants for, among others, the light-duty vehicle sector. These standards are expected to be applicable, starting with model year 2027 light-duty vehicles, with the requirements set at least through model year 2030.

California and several other states have developed a separate set of vehicle emission regulations, including mainly the following three programs:

- LEV ("**Low Emission Vehicle**")-II and LEV-III light-duty emissions regulations: LEV-II emission standards impose individual vehicle and fleet average requirements for tailpipe pollutants. The updated LEV-III program implements increasingly stringent vehicle and fleet average requirements starting in MY 2015. With MY 2026, California's LEV-IV program will come into force. Main topics will be additional emission test cycles for different soak times and lower idle times and elimination of highest emissions levels.
- Light-duty greenhouse gas fleet average emission standards: Fleet average targets are determined individually per OEM, based on a sale-weighted mix of vehicles (passenger cars) in California and other states that have separate vehicle emission regulations.
- Zero Emission Vehicle mandate (ZEVI until MY 2017, ZEVII with MY 2018 through MY 2025, ZEVIII starting with MY2026): California and other states that have separate vehicle emission regulations have established regulatory programs which mandate minimum annual sales volumes for vehicles equipped with qualified zero and near-zero emission powertrain technologies, such as battery-electric, fuel cell, plug-in hybrid, hybrid, and partial zero-emission combustion engines. CARB is also currently developing regulations on durability, data standardization, warranty and in-use requirements for ZEVs. By MY 2025, it is currently expected that up to 15% of a manufacturer's total sale volume in California and other states will need to be made up of ZEVII-compliant vehicles. The Group is complying under the ZEVI as an intermediate volume manufacturer with Partial Zero Emission Vehicles and is subject to sell Zero Emission Vehicles under ZEVII as a large volume manufacturer. In addition, ZEVII increases the time and mileage periods during which a manufacturer is responsible for a vehicle's emission performance. The ZEV III program starting with MY2026 contains a constantly rising requirement of ZEV share up to 100% of the fleet for MY 2035.

There have been several attempts to harmonize these programs that could lead to further changes in the regulatory framework.

13.2.4.3 *Requirements in China*

China is rapidly implementing more stringent legislation. The China 6 exhaust emission regulation, which started in July of 2019 in some key regions and in July of 2020 nationwide, requires for light-duty vehicles drastically reduced exhaust emission limits for gaseous pollutants (up to 50% below Euro 6), stringent exhaust emission limits for particulates (equal to Euro 6, but for all engine types), drastically reduced evaporative and refueling emission limits (for evaporative emission limits, 65% below Euro 6), increased requirements regarding on-board diagnostics and, from July of 2023, on the measurement of exhaust emissions on the road (real-driving emissions).

The Ministry of Industry and Information Technology regulates the passenger car fleet within the corporate average fuel consumption ("**CAFC**") standard since 2011. CAFC standards require each manufacturer or importer in China to achieve an annual fleet average fuel consumption target for all passenger cars produced or imported in China. The CAFC standard was recently updated to include increasingly stringent requirements year by year. In 2021, the drive cycle was changed from NEDC for fuel consumption to WLTP (for ICEs and PHEVs) and with an average fleet fuel efficiency target of 4.6 liters/100km (WLTP) for the period from 2021 to 2025.

In addition, a regulation was published in September of 2017, mandating minimum annual production volumes for vehicles equipped with powertrain technologies such as battery-electric, fuel cell and plug-in hybrid. Starting in 2019, a NEV credit quota of 10% and in 2020 of 12% has to be achieved by the manufacturer or importer. The amount of credit per vehicle depends on the technology and the electrical range or energy consumption for NEV (including PHEVs, BEVs and fuel-cell electric vehicles). Under the Administrative Measures on Corporate Average Fuel Consumption and New Energy Vehicle Dual-credit Scheme for Passenger Vehicle Enterprises promulgated on June 15, 2020, and effective as of January 1, 2021, the NEV credit quota for 2021, 2022 and 2023 was and is 14%, 16% and 18%, respectively.

13.2.5 Cross-border import and export of vehicles

The Group's import and export of goods are subject to the national and international foreign trade legislation and customs laws. Most countries in which the Group conducts business have import and export control regulations.

Important foreign trade regulations applicable to the Group in Germany are contained in the German Foreign Trade and Payments Act, the German Foreign Trade and Payments Regulation and the Dual Use Regulation (EU) No 2021/821 recasting Council Regulation (EC) No 428/2009, setting up a European Union regime for the control of exports, transfer, brokering and transit of dual-use items. Regulatory systems and respective requirements differ depending on whether the exchange of goods (including software and technology) is between Member States of the European Union (so-called intra-Union transfers) or with non-Member States (so-called third-party countries). The German Foreign Trade and Payments Regulation and Regulation (EU) No 2021/821 classify certain goods (including software and technology) as subject to export control by the German Federal Office of Economics and Export Control. Whether an export of a certain good (including software and technology) is prohibited or subject to approval depends on the circumstances of the individual case, *i.e.*, on the type of goods (including software and technology), the (end-) destination country, to whom and for which end use. The European Union has also imposed sanctions on certain persons and entities and pertaining to exports, transfer, brokering and further services, including, *inter alia*, dual-use and other goods and services, *e.g.*, with respect to Russia particularly via Regulation (EU) No 833/2014 (Russia), Regulation (EU) 269/2014 (Ukraine territorial integrity) and Regulation (EU) No 692/2014 (Crimea and Sevastopol) and with respect to Belarus, Regulation (EC) 765/2006.

In addition to German national and European export control legislation, the Group monitors and complies with import and export regulations of other countries that are applicable to the items the Group procures and re-exports or transfers, such as the U.S. Export Administration Regulations and the Chinese Administrative Regulations on Import and Export of Goods.

The Group has also implemented processes to check its business partners against European and international sanction lists, in which different persons are listed (*e.g.*, Council Regulation (EC) No 881/2002, 2580/2001 and the U.S. Specially Designated Nationals List), to ensure that business is not conducted with any person, entity or country which is subject to any sanctions enforced by one of the mentioned sanctions authorities that could result in an enforcement action against the Group.

13.2.6 Antitrust law

13.2.6.1 *Requirements in the European Union*

The Group must comply with various antitrust laws and regulations applicable in the jurisdictions in which it operates. Particularly relevant in this context are provisions on the prohibition of anti-competitive agreements, collusive behavior and the prohibition of abuse of a dominant position and receipt of advantages in violation of state aid rules. Provisions on merger control are also relevant. National and supranational competition and antitrust authorities may initiate investigations and proceedings for alleged infringements of competition or antitrust laws, which may result in significant fines or other forms of liability or impose certain limitations or conditions regarding acquisitions and certain business practices.

Within the European Union, compliance with applicable European and national competition laws is monitored by the European Commission and in some cases the national competition authorities (for example, in Germany, the Federal Cartel Office (*Bundeskartellamt*)). The European Union's antitrust rules are set out in Articles 101 and 102 of the Treaty on the Functioning of the European Union ("**TFEU**"). Article 101(1) of the TFEU prohibits anti-competitive agreements to the extent they are not otherwise exempted by Article 101(3).

The assessment of whether exemption criteria of Article 101(3) of the TFEU are met must be made by the Group in a so-called self-assessment. This self-assessment of the compliance of the Group's agreements with dealers, suppliers or competitors generally carries the risk that the European Commission, national competition authorities or national courts could come to a different conclusion as to whether there is an infringement of competition law.

The self-assessment is guided in part by Commission Regulations and Notices, for example the Commission Notice on the implementation of Article 101(3) of the TFEU, and so-called Block Exemption Regulations ("**BERs**"). BERs provide a safe harbor for groups of agreements which can be assumed to meet the requirements for an exemption from the cartel prohibition without an individual review under Article 101(3) of the TFEU.

The non-sector-specific General BER on vertical agreements (Regulation (EU) No 330/2010) ("**General BER**") and the sector-specific guidelines issued by the European Commission apply to the sale of new motor vehicles. The European Commission adopted and published a new General BER and accompanying guidelines on May 12, 2022. This new General BER came into force on June 1, 2022.

For spare part sales and the provision of repair and maintenance services, the European Commission issued an Automotive BER via Commission Regulation (EU) No 461/2010 on the application of Article 101(3) of the TFEU to categories of vertical agreements and concerted practices in the motor vehicle sector ("**Automotive BER**"). The Automotive BER expires on May 31, 2023. The European Commission has announced it is extending the validity of the regulation for five years. However, the European Commission considers amending the sector-specific guidelines. The Automotive BER is supplemented by the rules of the General BER.

Based on Europe-wide standardized contracts, which have been adapted to the requirements of national law, the Group has established a selective sales and distribution system throughout Europe with vehicle dealers and workshops. For new vehicle sales, the Group applies a selective distribution system based on quantitative and qualitative criteria in accordance with the specifications of the General BER, by which the number of dealers, which must fulfill specified qualitative standards, can be limited. A new non-sector specific General BER entered into force on June 1, 2022. There is no indication that the new General BER could affect the Group's current distribution system.

The aftermarkets (genuine parts and provision of repair and maintenance services) have been subject to the Automotive BER. Under the Automotive BER, vertical agreements are block-exempt only if they satisfy the requirements set forth in the General BER and comply with more stringent requirements with respect to certain types of restrictions on competition which could limit the supply of genuine parts in the motor vehicle aftermarket (in particular with respect to independent dealers, independent repair shops and end users).

Additionally, the Group is obliged to grant access to technical information for independent market participants in accordance with the Euro 5/Euro 6 legislation (Regulation (EU) No 566/2011, Regulation (EC) No 715/2007 and Regulation (EC) No 692/2008). Due to the amendment of the Euro 5/Euro 6 legislation in the form of Regulation (EC) No. 2018/858 effective September 1, 2020, the Group must grant independent operators access to technical information that goes beyond the previous requirements, in particular to technical information on the Group's genuine parts. The expansion of independent market participants' access to such information causes additional expenses in connection with the review of existing arrangements and other costs that the Group incurs in order to adapt to the new regulation. The regulations described above could also expose the Group to greater competition in the aftermarkets.

13.2.6.2 *Requirements in the United States*

Federal U.S. antitrust law is primarily enforced by the FTC and the Antitrust Division of the DOJ. The FTC and DOJ split civil enforcement, including merger control, under a number of statutes, including the Sherman Antitrust Act of 1890 ("**Sherman Act**") and the Clayton Antitrust Act of 1914. The DOJ oversees criminal antitrust enforcement under Sections 1 and 2 of the Sherman Act. State attorneys general also have standing to sue to enforce federal antitrust laws as well as each state's own antitrust statutes, and often coordinate investigation and prosecution with other states and the federal agencies. Lastly, private plaintiffs can file actions—often class actions—to seek equitable relief or treble damages for violations of federal antitrust laws.

The main federal antitrust statute is the Sherman Act. As interpreted by case law, Section 1 of the Sherman Act prohibits "unreasonable" restraints of trade, *e.g.*, agreements, and Section 2 prohibits monopolization conduct, which requires (1) monopoly power and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident. U.S. courts generally analyze conduct under the "rule of reason", which balances anti-competitive and pro-competitive effects unless such conduct has been historically found to be lacking any pro-competitive justifications such that it is now determined to be "per se" unreasonable. These per se violations are agreements between competitors to fix prices, allocate customers or markets, or rig bids. If the facially anticompetitive market restraint occurs in a market that is new, unusual, or unfamiliar to traditional antitrust analysis, some courts may apply the "quick look" rule, which considers possible pro-competitive justifications that would not be considered under the per se rule. Certain conduct is exempted from federal antitrust law based on public interest concerns (*e.g.*, collective bargaining among workers) or where there is a clear incompatibility between competition laws and other federal regulatory schemes (*e.g.*, federal securities laws).

Recently, federal regulators and legislators have increased their focus on detecting and combatting anticompetitive behavior as well as on antitrust enforcement. Current probes cover, for example, "killer acquisitions" by dominant firms acquiring "nascent competitors" as well as labor market conduct (*e.g.*, wage fixing, information sharing and so-called "no poach" agreements). There is also a special interest in supply chains and the implications of supply chain disruptions in the retail, wholesale, and supply chain sectors in the framework of key competitors maintaining their market position and its impact on anti-competitive practices as well as on rising consumer prices.

13.2.6.3 *Requirements in China*

In China, the SAMR (and in some cases, as per delegations of the SAMR, provincial administrations for market regulation, "**AMR**") oversees compliance with applicable antitrust laws. Chinese antitrust rules are set out primarily in the Anti-Monopoly Law of the People's Republic of China (the "**AML**"), as last amended by the Standing Committee of the National People's Congress on June 24, 2022, and effective on August 1, 2022. The AML prohibits monopolistic conduct such as entering into and implementing anti-competitive agreements, abuse of dominant market position and concentration of undertakings that have or may have the effect of eliminating or restricting competition.

For vertical restrictions imposed by an undertaking (such as an OEM) upon its trading counterparties (such as distributors or dealers), the AML provides that the agreements would not be prohibited if the market share criterion and other criteria as established by the SAMR are met (often referred to as the "safe harbor"). In addition, the AML also provides exemptions, meeting which allows a party to bear no legal liabilities for anti-competitive agreements. The exemptions are available for both horizontal and vertical monopoly agreements.

The assessment of whether business practices may be monopolistic conduct or may be eligible for the exemptions or the vertical agreements safe harbor must be made by the Group in self-assessment. This self-assessment of compliance of the Group's agreements with dealers, suppliers or competitors generally or of the Group's unilateral business conducts carries the risk that the competition authority or courts could come to a different conclusion as to whether there is an infringement of the AML.

The self-assessment is carried out with reference to, in addition to the AML, primarily (1) rules established by the SAMR to implement the AML and its decisional practices in individual cases, including detailed substantive rules and guidance to undertakings, most importantly the Interim Rules on Prohibition of Monopoly Agreements and Interim Rules on Prohibition of Abuse of Dominant Market Positions; (2) anti-trust guidelines issued by the Anti-Monopoly Commission of the State Council (the "**Anti-Monopoly Commission**"). The Anti-Monopoly Commission is an inter-departmental commission under the State Council responsible for coordinating antitrust enforcement and formulating competition policies. In particular, the Anti-Monopoly Guidelines for the Automotive Industry (the "**Automotive Guidelines**") as issued by the Anti-Monopoly Commission on January 4, 2019 sets out enforcement priorities and the analytical framework of business conduct in the automotive sector, covering issues from new car sales to parts and provision of repair and maintenance services; and (3) judicial interpretations by the Supreme People's Court of the People's Republic of China and binding decisions of Chinese courts.

Based on standardized dealership agreements, the Group has established a selective sales and distribution system in China with vehicle dealers. The requirements for such a system and selection specifications are regulated in the AML, the Automotive Guidelines, and the Rules on Management of Automobile Sales ("**RMAS**"). The RMAS is a sectoral regulation that applies to automotive distribution services. For new vehicle sales, these rules impose obligations upon OEMs (such as the Group) in terms of distribution system and practices, including in relation to (among others) the eligibility/selection criteria of dealers, inventory of dealers, brands of cars sold by dealers, and cross-supply by dealers.

The aftermarkets are a focus area in the Automotive Guidelines and the RMAS. Under these rules, the Group as an OEM should not impose indirect restrictions on after-sales service and parts by way of product warranty, such as conditioning product warranties on exclusive use of original parts for repair and maintenance outside of product warranties. Notably, the Automotive Guidelines consider the aftermarkets as less competitive and highlight the possibility of defining a single brand product market for aftermarket services. In this case, the OEMs (such as the Group) would bear additional obligations in connection with the supply and availability of parts and maintenance information and tools.

13.2.7 Type-approval procedure

Depending on jurisdictions, the Group's vehicle and related component products require approval by the government authorities or certification by the manufacturer at a specific point in time, *e.g.,* before they can be placed on the market. Each jurisdiction where the Group operates has various product-related regulatory requirements. The Group must comply with substantial licensing, certification, approval and permit requirements, as well as numerous and continually more sophisticated technical product requirements, particularly with regard to environmental protection and the safety of vehicle occupants and other road users. Cybersecurity has also become a subject matter where new type approval/certification requirements have recently been introduced or are expected to be released in the near future.

13.2.7.1 *Requirements in Member States of the European Union*

The European Union has passed extensive legislation and regulations on vehicle approval and safety. Regulation (EU) 2018/858 ("**Framework Regulation**") establishes a framework for the approval and market surveillance of motor vehicles and of systems, components and separate technical units intended for such vehicles. The Framework Regulation is directly binding in all EU Member States. It governs the requirements for a vehicle before it can be placed on the market for use in public road traffic. The Framework Regulation references certain EU Regulations and United Nations ("**UN**") regulations and related approvals that a vehicle and certain systems/components need to comply with for its manufacturer to successfully apply for an EU Whole Vehicle Type Approval (EU WVTA) which consolidates all system approvals for the subject vehicle. EU and UN regulations usually define technical requirements as well as testing procedures to be passed for obtaining approvals as well as measures and checks to be performed in order to ensure conformity of serial production (conformity of production) and in-service conformity on limited emissions. Furthermore, the Framework Regulation provides for rules on market surveillance and allows EU Member States and the European Commission to carry out random tests on vehicles to verify conformity with type approval requirements.

13.2.7.2 *Requirements in the United States*

The NHTSA issues federal motor vehicle safety standards ("**FMVSS**") covering a wide range of vehicle components and systems such as airbags, seatbelts, brakes, windshields, tires, steering columns, displays, lights, door locks, side impact protection, and fuel systems. The Group is required to assess and self-certify in good faith that vehicles and equipment meet or exceed the federal motor vehicle safety standards before market introduction. These standards add to the cost and complexity of designing and producing vehicles and equipment.

In addition to FMVSS, the National Traffic and Motor Vehicle Safety Act gives the NHTSA the authority to require manufacturers to recall vehicles that have safety-related defects or do not meet federal safety standards. The Transportation Recall Enhancement, Accountability and Documentation Act requires the Group to maintain an early warning reporting system for collecting information (warranty claims, field reports, foreign recalls, and death and injury reports) relating to vehicle performance and customer complaints to assist in the early identification of potential vehicle defects.

The Group is required to comply with CAFE standards (see "*13.2.4.2 Requirements in the United States*"), theft prevention standards and other consumer information standards administered by the NHTSA, including the Automobile Information and Disclosure Act, which requires manufacturers of motor vehicles to disclose certain information regarding the manufacturer's suggested retail price, optional equipment, and pricing. In addition, this law allows inclusion of fuel economy ratings, as determined by the EPA (see "*13.2.1.2 Requirements in the United States*"), and crash test ratings as determined by the NHTSA, when such tests are conducted by the manufacturer.

13.2.7.3 *Requirements in China*

China has broad vehicle certification procedures. The China Compulsory Certificate ("**CCC**") is a mandatory requirement for both domestically manufactured products and products imported into China. This certification applies to whole vehicles and vehicle parts and components, such as seatbelts, tires, safety glass products, headlamps, mirrors and cameras.

In order to import vehicles and vehicle components into China, the Group has to go through an approval process and obtain a CCC by complying with the following steps:

- preparation of application documents to be delivered to one of the Chinese certification authorities (*e.g.*, the China Quality Certification Center);
- type testing of the product, which is performed by a testing laboratory authorized by China's Certification and Accreditation Administration; and
- initial factory inspection to evaluate the factory's quality control system and product consistency.

Once these steps are satisfactorily completed, the certification authority issues the CCC for the subject vehicle or vehicle component. Annual follow-up inspections similar to the initial inspection are performed by certification authorities in order to verify conformity of production requirements and to allow the Group to maintain the validity of the CCC.

The market introduction, manufacturing or sale of non-approved or non-compliant vehicles can lead to sanctions for violation of regulations, such as prohibition of import, confiscation of vehicles or vehicle parts or components, payment of fines, stoppages of product sale or production, as well as revocation of right of production and criminal prosecution.

13.2.8 Road safety

Regulation (EC) 2019/2144 of the European Parliament and of the Council ("**GSR**") governs the type approval requirements for motor vehicles and their trailers, and systems, components, and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants and vulnerable road users. The regulation lists the compulsory implementing measures and the vehicle categories to which each regulation applies. GSR mandates a large number of advanced safety features as standard equipment such as: tire pressure monitoring systems; intelligent speed assistance; alcohol interlock installation facilitation; driver drowsiness and attention monitoring; advanced driver distraction recognition; emergency stop signal; reversing detection; lane departure warning systems/emergency lane-keeping systems; advanced emergency braking systems and an event data recorder.

At the national level, Germany has implemented portions of the above into its Road Traffic Act (*Straßenverkehrsgesetz*), Road Traffic Licensing Regulation (*Straßenverkehrszulassungsordnung*) and EG-Vehicle Approval Regulation (*EG-Fahrzeuggenehmigungsverordnung*).

The Group's vehicles sold in the U.S. are subject to the National Traffic and Motor Vehicle Safety Act (49 U.S.C. Chapter 301) and various road safety regulations promulgated by the NHTSA (see "*13.2.7.2 Requirements in the United States*"), as well as the relevant laws and regulations of individual states, such as the California Vehicle Code. Further U.S. federal regulations concern, *inter alia*, bumper safety standards, and the NHTSA and various U.S. state regulators have or are considering adopting road safety standards with respect to automated and autonomous driving (see "*13.2.14 Automated and autonomous driving*").

In China, imported vehicles are subject to the CCC and inspection by the local customs administration before they can be imported to or sold in China. The rules for the CCC and customs inspection have incorporated relevant vehicle safety requirements. For the CCC, the Implementation Rules for Compulsory Product Certification of Automobiles promulgated by the Certification and Accreditation Administration of the People's Republic of China set out, among other technical requirements, detailed safety standards by referring to relevant standards for motor vehicles and auto parts. See also "*13.2.7.3 Requirements in China*". For the inspection by the local customs administration, pursuant to the Administrative Measures for the Inspection of Imported Automobiles promulgated by the General Administration of Customs of the People's Republic of China, among others, inspection in relation to safety is required, and the detailed requirements for such inspection are generally set out in relevant standards, including an industry standard entitled Rules for the Inspection of Safety Requirements of Automobiles for Import and Export. The details of the majority of safety features are provided in various standards for motor vehicles and auto parts. Among such standards, compulsory national standards and those recommended standards which are referred to within the certification system and the import inspection system must be obeyed, while other recommended national standards, industry standards, local standards, and community standards are encouraged to be implemented. Standards that must be obeyed cover active safety, passive safety, general safety and other requirements.

13.2.9 Emissions from production/emission trading

In the countries in which the Group operates, the emission of, *inter alia*, air pollutants, noise, odors, vibrations and greenhouse gases (such as CO_2) is governed by specific laws and regulations, and, if the operation of a facility is subject to a permit, by specific conditions set forth therein. In some cases, the Group is required to submit emission reports on a regular basis. Non-compliance with maximum emission levels may result in administrative fines.

Moreover, at the 2015 United Nations Framework Convention on Climate Change in Paris, nearly 200 nations, including nations where the Group manufactures its products, entered into an agreement covering climate change mitigation, adaptation and finance, which became effective in November of 2016 (the "**Paris Agreement**"). The Paris Agreement sets a goal of limiting the increase in global average temperature to well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius, with global greenhouse gas emissions to peak and begin to decline as soon as possible. The Paris Agreement consists of two elements: a commitment by each participating country to set a voluntary emissions reduction target (referred to as nationally determined contributions or "**NDCs**"), with a review of the NDCs that could lead to updates and enhancements every five years beginning in 2023, and a transparency commitment requiring participating countries to disclose their progress.

The EU has issued several regulations to achieve the goals of the Paris Agreement, in particular the European Climate Law (Regulation (EU) 2021/1119 of the European Parliament and the Council) which, *inter alia*, sets the binding target that EU-wide greenhouse gas emissions shall be reduced to net zero by 2050, as well as a binding intermediate target to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030. In Germany, the Federal Climate Protection Act (*Bundes-Klimaschutzgesetz*) provides national climate protection targets and annual maximum emission quantities for specific sectors (including, *inter alia*, transport and industry) as well as including within it the general goal of achieving net climate neutrality. Following a decision by the German Federal Constitutional Court (*Bundesverfassungsgericht*), the German legislator passed an amendment to the Federal Climate Protection Act pursuant to which greenhouse gas emissions shall be reduced gradually compared to 1990 by 65% until 2030 and by 88% until 2040; net climate neutrality shall be achieved by 2045. The amendments entered into force on August 31, 2021.

In January of 2011, the European Directive 2010/75/EC on industrial emissions (the "**IED**") came into force. It sets out rules on the prevention and control of pollution from industrial activities including reducing emissions into air, water and land, as well as preventing the generation of waste. Under the IED and its implementing law, the production of copper, aluminum and ferroalloys, among other industries, is subject to thresholds for various pollutants, such as carbon monoxide and fine particulate matter. Such thresholds, as well as operational conditions and other descriptions of industrial processes for various industrial activities, are set forth in so-called Best Available Techniques Reference Documents ("**BREFs**"), adopted, *inter alia,* under the IED. The BREFs are continuously reviewed and updated to correspond with new developments. EU Member States are required to take the so-called Best Available Techniques Conclusions, which are part of the BREFs, as a reference for setting or reconsidering permit conditions to installations covered by the IED.

In Germany, the IED has been implemented by way of amendments, in particular to the German Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*), the German Water Resources Act (*Wasserhaushaltsgesetz*), and the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*), resulting in specific emission thresholds, authorization requirements and supervisory obligations for new and existing facilities. In June of 2021, the German government decided on an amendment of the Technical Instructions on Air Quality Control (*TA Luft*) which will lead to stricter emission thresholds, *e.g.*, for combustion and dust, in part adjusting for and in part going beyond thresholds set by European law. The new version of the Technical Instructions on Air Quality Control entered into force on December 1, 2021.

The Group is also subject to European and national emission trading systems ("**ETS**"). These systems are based on "cap and trade" principles designed to reduce carbon dioxide emissions by limiting the number of emission allowances (cap) required for certain facilities and allowing for the purchase of any shortfall or for the sale of surplus emission allowances (trade).

In particular, the general legal framework for the European ETS ("**EU ETS**") is provided in Directive 2003/87/EC, as amended, *inter alia,* by Directive 2009/29/EC and Directive (EU) 2018/410 (together, the "**ETS Directives**"). In Germany, the Greenhouse Gas Emissions Trading Act (*Treibhausgas-Emissionshandelsgesetz*) is applicable.

During the current allocation period (2021 through 2030) for the EU ETS, emission allowances are issued to facility operators on an auction basis except for certain defined categories of operators. The ETS Directives, among other things, extend the number of facilities that are subject to the EU ETS and establish the framework for the respective auction systems for emission allowances in the EU Member States. Under the ETS Directives as currently in force, the overall number of emission allowances will decline at an annual rate of 2.2% during the current allocation period 2021 to 2030. Such emission cuts are intended to be part of the EU's contribution to the Paris Agreement. Furthermore, the EU ETS has been operating a market stability reserve since January 1, 2019 to address a perceived surplus of emission allowances by transferring certain amounts of allowances to a reserve instead of auctioning them. To align the EU ETS with the increased reduction targets under the EU Climate Law (Regulation (EU) 2021/1119), as part of the "Fit for 55" package the European Commission proposed amendments to the ETS Directives in July of 2021, including, *inter alia*, steeper annual cuts of 4.2% to the overall number of emission allowances, following a one-off reduction of the overall emissions cap by 117 million allowances ("re-basing"), and strengthening the market stability reserve.

Furthermore, the European Commission has put forward a proposal for a Carbon Border Adjustment Mechanism ("**CBAM**"), which addresses the risk of carbon leakage for a targeted number of sectors (including, *inter alia*, iron and steel, aluminum and electricity generation) by applying a cost of carbon to imports of certain goods to the EU based on the carbon emissions associated with their manufacture from 2026. The European Parliament and the Council adopted their respective positions on the CBAM and the revised EU ETS in June of 2022. As a next step, the Council, the European Parliament and the Commission will enter into negotiations to reach an agreement on the final legal texts. The revised EU ETS legislative framework and potential future tightening and potentially rising costs for carbon dioxide emission allowances may have repercussions on the Group's production facilities to varying degrees.

13.2.10 Fuel requirements

Certain jurisdictions where the Group operates impose requirements on fuel mixtures and energy source requirements for transportation. Depending on the nature and extent of the regulations, this could affect the use and production of the Group's products. Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources establishes a framework for the promotion of energy from renewable sources in the European Union until 2030 and continues to promote the use of renewable energy in transport, including biofuel and electricity, with a target of at least 14% renewables in the final energy consumption mix by 2030. In the context of the increased reduction targets under the EU Climate Law (Regulation (EU) 2021/1119), as part of the "Fit for 55" package the European Commission proposed increasing the transport target under Directive (EU) 2018/2001 and expressing it as a greenhouse gas intensity reduction target of at least 13% by 2030 (instead of specifying specific shares for renewables as under the current directive). The European Parliament and the Council adopted their respective positions in June of 2022. As a next step, the Council, the European Parliament and the Commission will enter into negotiations to reach an agreement on the final legal text. Some Member States as well as certain countries outside the European Union plan to implement measures (*e.g.*, quota or tax incentives) to establish higher targets than those provided in Directive (EU) 2018/2001. In Germany, requirements regarding biofuels were first introduced by the Biofuels Quota Law (*Biokraftstoffquotengesetz*); currently, the Federal Emissions Control Act and related regulations set greenhouse gas reduction obligations for fuels (including biofuels) to be used domestically.

Regardless of the differences in the implementation of the legislative provisions, in most other significant markets in which the Group is active, provisions have been enacted pursuing legislative goals similar to those in the European Union.

13.2.11 General Product Safety Liability

In addition to product-specific regulations in the jurisdictions where the Group operates, the Group must also comply in some cases with general, non-specific product safety and product liability legislation and associated regulations where product-specific regulations do not otherwise apply. The risk of product liability claims, product recalls, and associated adverse publicity is inherent in the manufacturing, marketing and sale of all vehicles. Although the Group has liability insurance policies in place, that insurance may be inadequate to cover all potential product liability claims. Any product recall or lawsuit seeking significant monetary damages in excess of or outside of the Group's insurance coverage may have a material adverse effect on the Group's business and financial condition.

At the European Union level, Directive 2001/95/EC on general product safety applies in the absence of specific provisions among the EU regulations governing the safety of the products concerned, or if legislation on the sector is insufficient. Under this Directive, manufacturers and distributors may only market products which comply with a general requirement of consumer safety. A product is safe if it does not present any risk or only the minimum risks compatible with the product's use considered to be acceptable and consistent with a high level of protection for the safety and health of persons. In addition to compliance with the safety requirement, manufacturers and distributors must provide consumers with the necessary information in order to assess a product's inherent risks and take the necessary measures to avoid such threats (for example, withdraw products from the market, inform consumers and recall products). The Product Safety Directive is currently under review. The EU Commission aims to replace Directive 2001/95/EC by a regulation which, *inter alia*, is deemed to respond to new technologies, improve recalls and ensure better enforcement and a more efficient market surveillance.

Strict liability applies for defective products via Directive 85/374/EEC and supplements any consumer protections at the national level. Directive 85/374/EEC stipulates the manufacturers' liability for defective products causing physical damage to consumers or their property. Manufacturers can exempt themselves from liability by providing evidence of exonerating circumstances, notably, if they prove that the defect was due to the compliance of the product with mandatory regulations issued by public authorities or the state of scientific or technical knowledge at the time the product was put into circulation could not detect the defect (development risk defense). Directive 85/374/EEC sets out a time limit of three years for the recovery of damages and a cut-off period of 10 years after the harmful product has been placed on the market. Several details are left to the national law of Member States, including a ceiling for the total liability for damage resulting from death or personal injury caused by defective products, the implementation of the development risk defense, and the recovery of non-material damages. The EU Commission is expected to present a proposal to adapt EU product liability regulations to new technologies (especially AI) in the course of this year.

In Germany, the requirements of 2001/95/EC and 85/374/EEC have been implemented via the Product Safety Act (*Produktsicherheitsgesetz*) and the Product Liability Act (*Produkthaftungsgesetz*), which are accompanied by the more general provisions under the tort law codified in the German Civil Code (*Bürgerliches Gesetzbuch*). The generally required accusation of fault in the context of manufacturers' liability has been extended by case law to a "presumption of liability" with reversal of the burden of proof; the manufacturer must therefore provide the exculpatory evidence.

In the United States, a manufacturer must also comply with general state product liability obligations under state statute and common law theories. State product liability rules are generally based in tort theories focused on negligence or failure to meet another standard of care, contractual theories based primarily on breach of implied or express warranty, and strict liability for product defects (including a failure to warn). These state law obligations do not apply to the extent that they are expressly or impliedly preempted by conflicting federal product safety statutes or administrative regulation, particularly under the NHTSA.

In China, the obligations and liabilities of manufacturer and distributor/retailer in relation to product quality and safety is mainly regulated under the PRC Product Quality Law (the "**Product Quality Law**"). Products sold by manufacturer and distributor/retailer should conform to the following safety and quality requirements: i) products cannot have any unreasonable dangers that may endanger personal or property safety, and if there are relevant national or industry standards of personal and property safety, such standards should be complied with; ii) products should have all the performance and functions that they should have (unless there is a statement of defects in this regard); iii) products must meet with the standards specified on the products or packages; and iv) the quality of products should be the same as that specified in the instructions or samples. Furthermore, manufacturers and distributors/retailer must also ensure the marks and information on the products or their packages are true statements, *inter alia*, if the improper use of products may cause damage to the product itself or endanger personal or property safety, such products must carry warning marks or specifications in Chinese.

In terms of product liability, the Product Quality Law and the PRC Civil Code set out some essential rules. If a product causes personal injury or property damage due to its defects, the injured/damaged party has the option to claim compensation from either manufacturer or distributor/retailer, or both. Defects of products generally refer to an unreasonable danger which may threaten personal and property safety, and if a product is regulated by national or industry standards of personal and property safety, non-compliance with such standards would constitute a typical defect. In terms of the ultimate liability between manufacturer and distributor/retailer, manufacturer should be liable if personal injury or property damage is caused by defect of product, but manufacturer may exempt themselves from liability in any of the following circumstances: i) the product has not been put into circulation, ii) the defect causing the damage did not exist when the product was put into circulation, and iii) the scientific or technical knowledge at the time the product was put into circulation could not detect the defect; and distributor/retailer should be liable if the product defect that causes personal injury or property damages is resulting from the fault of distributor/retailer. If the ultimate liability should be borne by the manufacturer but the distributor/retailer has already made compensation to the injured/damaged party, such distributor/retailer could exercise recourse right against the manufacturer, and vice versa. The statute of limitations for product liability claim is two years (calculated from when the injured/damaged party became aware or ought to be aware that his rights had been infringed), and a cut-off period of 10 years after the defective product has been delivered to the first consumer (except that the product is still within the specified safe period of use). In addition to compensation for damages, if a product is found to be defective after it is put into circulation, the manufacturer and the distributor/retailer should promptly adopt remedial measures, including suspending sale, issuing warnings, and recalling the product, as the case may be.

13.2.12 Genuine parts

The Group produces genuine parts for use in its new vehicles and sells genuine parts as part of its aftersales business. Genuine parts, capable of being protected, are registered as design rights in most European countries based on European Union or national laws. At the level of European Union community designs, protection for spare parts has been limited for some time by what is generally referred to as a "repair clause". Such clause eliminates design protection for "must-match" genuine parts, *i.e.*, component parts used in the repair of a complex product so as to restore its original appearance. Such limitation historically did not exist under most national laws, leading companies to register their designs nationally for wider protection. A "repair clause" would largely eliminate the need for "must-match" parts to be genuine parts, as generic spare parts could then be freely produced by third-party manufacturers. Eliminating design right protection for "must-match" genuine parts also on a national level would have a significant impact on the Group, as it would lead to intensified competition in the spare parts market. Certain European countries have already adopted repair clauses within national design laws; a 1997 European directive stipulates that EU Member States shall maintain in force their existing legal provisions (if any) relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance and shall introduce changes to those provisions only if the purpose is to liberalize the market for such parts. In 2020, the German legislature implemented a repair clause effective for newly applied registered design rights, leaving the scope of protection for existing design rights unaffected. This regulatory change for the German market will only gradually take effect. Moreover, the German legislature intended the German repair clause to be narrower than the clause applicable to EU community designs. It is possible that other EU Member States will follow this example and implement similar provisions in their respective national laws.

13.2.13 Reuse, recycling and recovery

In several of the jurisdictions where the Group operates, it is obligated to assist customers with the disposal, recovery and recycling of certain underlying components of its products once they have reached their end-of-life/disposal stage.

Directive 2006/66/EC on batteries (the "**Batteries Directive**") governs the recovery of batteries within the European Union. The Batteries Directive requires manufacturers and distributors of batteries to bear a significant amount of the costs associated with proper collection and disposal of end-of-life batteries. In Germany, the directive has been implemented by the Battery Law (*Batteriegesetz*). In December of 2020, the European Commission proposed a new regulation concerning batteries and waste batteries and repealing the current Batteries Directive. The new regulation aims to ensure that all batteries are produced sustainably and can be easily recycled and that any batteries used in the growing market for electric vehicles are sustainable, thus focusing on the entire life cycle instead of only end-of-life batteries. The draft of the proposed new regulation is currently under discussion by the European Parliament, Council and the European Commission. In China, the Coding Regulation for Automotive Traction Battery (GB/T 34014-2017) is a recommendatory national standard released by the Standardization Administration of China on July 12, 2017 and came into effect on February 1, 2018. This standard specifies the objects, composition of code structures, representation method for code structures, and data carriers of coding and applies to automotive traction batteries, super capacitors, and other rechargeable energy storage devices. In addition, the standard contributes to traction batteries' full life cycle management, covering their development, production and use, and recycling stage. As hybrid and electric drivetrains become more prevalent in the Group's product offerings and batteries thereby become a more substantial portion of vehicles, the Group will have to incur additional costs and administrative burdens to comply with these and other similar laws.

When designing and producing their products, UNECE Regulation No. 133 and EU Directive 2005/64/EC on the Type-Approval of Motor Vehicles with regard to their Reusability, Recyclability and Recoverability require manufacturers to ensure that new vehicles are reusable and/or recyclable to a minimum of 85% by weight per vehicle and reusable and/or recoverable to a minimum of 95% by weight per vehicle. Furthermore, the ELV Directive and Directive 2012/19/EU on waste electric and electronic equipment, also known as the WEEE Directive, each govern the recovery of motor vehicles and electric and electronic equipment within the European Union, providing for ambitious recovery, reuse and recycling rates. The directives require that manufacturers cover all, or a significant part of, the costs associated with recovery, reuse and recycling measures. The aforementioned directives, including the Batteries Directive, as well as the RoHS Directive, limit manufacturing options because they also contain prohibitions on the use of certain identified substances, either generally or in defined applications. It is to be noted that, unlike REACH and the POP Regulation, the ELV Directive systematically includes "repair as produced" exemptions for legacy parts.

Although there may be differences in the manner of implementation of laws and regulations concerning the reuse, recycling and recovery, several other markets in which the Group is active also have enacted or are planning to introduce laws and regulations with similar goals to those implemented in Germany and/or in the European Union. Failure to comply with provisions of the directives can lead to action from competent authorities against manufacturers. This is the case even for components supplied by third parties.

13.2.14 Automated and autonomous driving

The regulatory landscape for automated and autonomous driving is currently in flux as jurisdictions consider how to best govern new developments. The United Nations Convention on Road Traffic (1968) ("**Vienna Convention**") is the basis for national regulatory law on road traffic for each ratifying contracting party (such parties include but are not limited to Germany, the United Kingdom and France, though not the United States). Until 2016, the Vienna Convention required that in any vehicle a driver must be present and able to maneuver at all times. The Vienna Convention has since been amended to allow control of the vehicle to be transferred from the driver to the vehicle, so long as the systems can be overridden or disabled by the driver.

As the Group continues to develop new technologies, regulations on automated and autonomous driving will be of increasing importance to the Group's business.

In the EU, the GSR sets out specific requirements relating to automated and fully automated vehicles to ensure that they are safe to use. The GSR fully applies as from July 6, 2022 for all new type approvals. In 2022, the European Commission further proposed a draft implementing regulation for the type-approval of the automated driving system ("**ADS**") of fully automated motor vehicles (Ares (2022) 2667391).

Besides type approval requirements, several Member States have passed initial legislation and regulations or drafts of such legislation and regulations. In Germany, the Road Traffic Act (*Straßenverkehrsgesetz*) was amended in 2017 to allow a mid- to high level of automated driving so long as a driver is present and able to regain control of the vehicle at any time (SAE level 3). In 2021, further amendments to the Road Traffic Act entered into force to also allow driverless autonomous driving (SAE level 4) in specific areas of operation which are approved by the competent authorities. The amendments also include obligations for the vehicle keeper, the person having "technical supervision" over the vehicle and the vehicle manufacturer. Furthermore, under the German Road Traffic Act, in principle, the driver of a car or, respectively, the vehicle keeper, remains liable to compensate any damages caused with a vehicle, even when the driver uses automated driving functions. However, the driver can avoid liability if the driver can prove that the damage was not caused by fault of the driver but *e.g.*, because of a failure of the automated driving system. Also in case of driverless autonomous driving, the vehicle keeper, as per the general liability rules, remains liable to compensate any damages caused with a vehicle; beyond that, damage claims against the person having "technical supervision" are possible in case of culpable violations of the respective obligations. Furthermore, the legal community continues to discuss to what extent the vehicle manufacturer and/or its suppliers can be held liable in general if the damage has occurred while an automated driving function was active. The higher the automation level, the higher the risk for a manufacturer to be exposed to reimbursement claims for damages caused by partly or fully autonomous vehicles, thereby leading to potentially substantial financial exposure. The Road Traffic Act also contains privacy regulations on the handling of data storage for automated procedures. In the development of automated driving towards autonomous driving (SAE levels 3-5), high data security and protection requirements must be observed for the development of systems and generation of data from the vehicle fleet. A regulation specifying details of the registration and operation of automated and autonomous driving vehicles, including storage and transfer of data, has entered into force on July 1, 2022 (*Verordnung zur Regelung des Betriebs von Kraftfahrzeugen mit automatisierter und autonomer Fahrfunktion und zur Änderung straßenverkehrsrechtlicher Vorschriften* (*AFGBV*)).

Regulatory frameworks are rather inconsistent not only on an international level, but in some cases also within the same country. For example, in the U.S., some states and local authorities authorize full deployment of autonomous vehicles, while other states only authorize testing of autonomous vehicles. Some states allow testing or deployment without a human operator, while other states still require a human operator. Furthermore, there are still a number of states that do not have express codification of laws related to autonomous vehicles. Comparatively, the states of Arizona, California and Michigan are generally more progressive in the regulation of self-driving cars in order to be attractive to technology and automotive companies. The road laws of other states, *e.g.*, New York, require in their road laws that a driver has at least one hand at the steering wheel, so the offer of autonomous driving functions is less attractive in such states. At the federal level, the U.S. Department of Transportation and the NHTSA previously issued a policy in 2020 outlining a voluntary regulatory framework for laws related to autonomous driving called "Ensuring American Leadership in Automated Vehicle Technologies: Automated Vehicles 4.0". In March of 2022, NHTSA submitted a Final Rule for publication in the Federal Register which amends the occupant protection Federal Motor Vehicle Safety Standards to account for future vehicles that do not have the traditional manual controls associated with a human driver because they are equipped with ADS. Notwithstanding these first steps of unification at the federal level, manufacturers still need to comply with other safety standards as well as federal, state and local regulations for autonomous vehicles in the U.S.

In China, the government has declared autonomous driving to be a strategic field and has issued corresponding instructions to the domestic industry. For example, there are four clusters under the leadership of Chinese companies that are to work on important areas of autonomous driving and must report regularly on progress. Public administration in China is driving to prepare infrastructure for autonomous driving, for example to design traffic areas in such a way that Level 4 vehicles can orient themselves well.

13.2.15 Data Privacy, Data Regulation and IT Security

Due to the increasingly digital nature of the Group's offerings and its plan to further develop connectivity solutions for its customers, regulations governing the protection of the Group's various stakeholders' data can have a significant impact on the Group's business.

13.2.15.1 *Requirements in Member States of the European Union*

The EU General Data Protection Regulation (EU) 2016/679 (*i.e.*, GDPR) became applicable on May 25, 2018 in all EU Member States and represents the key regulation for data privacy law. Corresponding amendments to the relevant national data privacy regulations followed thereafter. The GDPR regime represents a significant increase in the stringency of data privacy rules in the European Union (including potentially substantial penalties in case of lack of compliance). The Group has incurred and expects to continue to incur costs to implement various measures throughout its operations (including appropriate training of employees, fulfillment of additional documentation duties, adjustments of processes and monitoring by the Group's data privacy and compliance teams) as a result of the GDPR. In particular, the transfer of personal data from countries inside to countries outside the European Economic Area (EEA) requires additional data protection measures. With the European Court of Justice invalidating the so-called "Privacy Shield" in its *Schrems II* judgement in 2020, data transfers not only to the United States but also to other third countries have become increasingly complex, in many cases requiring a transfer impact assessment and, typically, the incorporation of Standard Contractual Clauses, of which the European Commission has issued an updated version in 2021. Whilst a new Trans-Atlantic Data Privacy Framework is currently being negotiated with the intention of replacing the former Privacy Shield, data transfers in connection with the Group's international activities will likely continue to require special attention. At a national level, Germany has replaced the Federal Data Protection Act (*Bundesdatenschutzgesetz*) by a new Federal Data Protection Act that complements the GDPR in such areas where the GDPR leaves Member States room for national regulations. In particular, it regulates the processing of employee data, video surveillance and the appointment of a data protection officer (*Datenschutzbeauftragter*) in Germany. It also includes provisions for fines and penalties.

Furthermore, Directive (EU) 2016/1148 on Security of Network and Information Systems ("**NIS-Directive**") was issued to achieve a harmonized level of security for network and information systems within the EU. To this end, the NIS-Directive requires the Member States to establish a national strategy on the security of network and information systems. It further regulates the cross-border collaboration between Member States regarding the safety of network and information systems and sets out obligations for operators of essential services and digital service providers. The NIS-Directive has been transposed into German national law by amendments to the Law on the Federal Office for Information Security (*Gesetz über das Bundesamt für Sicherheit in der Informationstechnik*) and the Telecommunications Act (*Telekommunikationsgesetz*), among others. In 2020, the European Commission issued a proposal to revise the NIS-Directive (COM(2020) 823 final; "**NIS 2-Directive**"), which aims to further strengthen cybersecurity requirements and other obligations for companies, including manufacturers of motor vehicles, and harmonize the related sanction regimes of the Member States. The trilogue negotiations for the NIS 2-Directive have been successfully concluded in May of 2022, paving the way for a formal adoption of the new version, possibly by the end of 2022. After its adoption, the NIS 2-Directive will have to be transposed into national law by the Member States.

Directive 2002/58/EC on privacy and electronic communications ("**ePrivacy Directive**"), amended by Directive 2009/136/EC, aims at harmonizing the provisions of the EU Member States required to ensure an equivalent level of protection of fundamental rights and freedoms, and in particular the right to privacy, with respect to the processing of personal data in the electronic communication sector and to ensure the free movement of such data and of electronic communication equipment and services in the EU. The ePrivacy Directive concerns the provision of electronic communications networks and services to end-users and specifies rights of end-users and the corresponding obligations of undertakings providing publicly available electronic communications networks and services, and specifically applies to the processing of personal data in connection with the provision of such publicly available electronic communications services in public communications networks. Against this background, it also has a significant impact on data processing in the automotive industry as it may restrict access to certain vehicle data without prior consent.

The proposal for the regulation on privacy and electronic communications ("**ePrivacy Regulation**"), which has been negotiated for many years, is intended to replace the ePrivacy Directive in its entirety and to govern the provision and use of electronic communications services in the EU to protect certain fundamental rights. It will therefore particularize and complement the GDPR with regards to electronic communication data that qualifies as personal data. The ePrivacy Regulation will primarily address companies in the digital economy and impose further requirements on them in connection with the processing of personal data. In that context it is likely to have effects on data processing in the automotive industry.

For the time being, the ePrivacy Directive is implemented in Germany, in particular, by the German Telecommunications Telemedia Data Protection Act (*Gesetz zur Regelung des Datenschutzes und des Schutzes der Privatsphäre in der Telekommunikation und bei Telemedien*; "**TTDPA**"), which came into force in December of 2021. The aim of the TTDPA is to create legal clarity for data privacy in the digital world by combining data privacy regulations of the Telemedia Act (*Telemediengesetz*) and the Telecommunications Act (*Telekommunikationsgesetz*), thereby transposing the ePrivacy Directive into national law. It provides for numerous data privacy provisions, including on the storage of information in the terminal equipment of end users or access to such information, consent management, and penalties and fines for violation of the TTDPA's provisions.

Concerning the processing of data with regard to vehicles, the Road Traffic Act (*Straßenverkehrsgesetz*) also includes specific rules for Germany (see "*13.2.14 Automated and autonomous driving*").

As part of its overall digital strategy, including its data strategy and AI strategy, the EU Commission has been working on a set of numerous legal acts that are to be adopted in the coming years and that aim, among other matters, to accelerate Europe's digital transformation and foster the EU digital single market. Important pillars are, for example, Regulation (EU) 2022/868 of the EU Parliament and of the Council of May 30, 2022 on EU data governance and amending Regulation (EU) 2018/1724 (Data Governance Act) that entered into force on June 23, 2022 and, following a 15-month grace period, will be applicable from September of 2023, and the EU Commission's proposal for a regulation on harmonized rules on fair access to and use of data (COM/2022/68 final; Data Act). Beyond that, the proposed regulation on contestable and fair markets in the digital sector (COM/2020/842 final; Digital Markets Act) will ensure competition and fairness in markets in the digital sector across the EU where so-called gatekeepers are present, *i.e.*, entities or groups controlling access to large amounts of data in particular. The proposed regulation on a single market for digital services (COM/2020/825 final; Digital Services Act), in turn, governs the provision of intermediary services and aims to create a safe and responsible online environment, for example, by counteracting illegal content, non-transparent advertising and disinformation. The proposal for a regulation laying down harmonized rules on AI (COM/2021/206 final; Artificial Intelligence Act) will, for example, prohibit certain AI practices and establish specific requirements for high-risk AI systems. Regarding its scope and depth, the EU digital strategy and its corresponding legal acts are likely to have effects on data processing in the automotive industry, the extent of which will depend on the final wording of the respective acts.

Furthermore, type approval requirements in connection with cybersecurity are becoming increasingly prevalent and stringent. For example, in July of 2020, the UNECE adopted new guidelines on this topic, with applicability in the EU from July of 2022 for type approvals of new passenger vehicles and from July of 2024 for all new registrations of passenger vehicles. The guidelines set forth performance and audit requirements automobile manufacturers must meet in connection with managing vehicle cyber risks.

13.2.15.2 *Requirements in the United States*

U.S. laws in this area are also complex and developing rapidly. Many state legislatures have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security and data breaches. All states now have laws requiring businesses to provide notice to customers whose sensitive personally identifiable information has been disclosed as a result of a data breach (*e.g.*, information which, if exposed, could give rise to a risk of identity theft or fraud), leading to an inconsistent patchwork of standards regarding timing of notices, thresholds for what triggers a need to notify consumers (and regulators), and other material matters. In addition, a growing number of states have taken an interest in legislating general privacy matters, in the absence of a single comprehensive federal privacy law. For example, the California Consumer

Privacy Act ("**CCPA**"), which took effect in 2020, applies across sectors and introduces sweeping definitions and broad individual rights for California residents, and imposes substantial requirements and restrictions on the collection, use and disclosure of personal information, including a novel concept in the U.S. of being able to opt-out of the "sale" of personal information. California has followed the CCPA with an even more stringent law, the California Privacy Rights Act, set to take effect on January 1, 2023. Meanwhile, four other states (Colorado, Connecticut, Utah and Virginia) have enacted their own comprehensive privacy laws going into effect in 2023, with more states expected to follow. These state laws are not always consistent, and compliance, particularly in the event of a multi-state data breach, is costly. States are also amending existing data breach notification laws, resulting in frequently changing regulatory requirements, including new data security requirements like mandatory documentation of certain minimum information security policies, procedures and practices.

Attention to privacy and the unauthorized use of personal information is growing, with increasing concern and scrutiny over companies' business practices. The risk of litigation accordingly is growing, in particular following data breaches where sensitive information has been compromised (such as consumer names in combination with a social security number, driver's license number, or bank account information).

In the U.S., the NHTSA recently issued a draft of "Cybersecurity Best Practices for the Safety of Modern Vehicles (2020 Update)" to update non-binding and voluntary guidance, which the NHTSA had issued in its first edition in 2016, to the automotive industry for improving motor vehicle cybersecurity.

13.2.15.3 *Requirements in China*

China has enacted numerous new laws and regulations on data privacy since 2017, in particular the Cybersecurity Law ("**CSL**"), the Data Security Law ("**DSL**") and the Personal Information Protection Law ("**PIPL**"). For the automotive industry, there is also a sector-specific regulation, the Several Provisions on Vehicle Data Security Management ("**VDSM**"). The regulations are supplemented and specified by various national standards.

The CSL came into force in June of 2017 against a backdrop of then newly-enacted national security legislation. It mainly contains regulations on IT security, but also on data privacy. Its purpose is to ensure cybersecurity, cyberspace sovereignty, national security and public interests, protecting the legitimate rights and interests of citizens and organizations in connection with network systems.

The DSL came into force in September of 2021 and further develops the protection and security of so-called "important data" which has significance for national security and the public interest. The aim of the DSL is to standardize data processing, ensure data security and protect the rights and interests of individuals. The law establishes a hierarchical system for data classification. Personal data are not explicitly addressed, but would fall within the scope of the law.

The PIPL entered into effect in November of 2021. The PIPL is a comprehensive data privacy law that regulates personal information handling activities and promotes the rational use of personal information, including collection, storage, use, processing, transmission, provision, disclosure, and deletion. It establishes duties for data controllers, such as the appointment of personal information protection officers, and includes provisions on conducting personal information protection impact assessments, as well as restrictions on international data transfers, among other things. The PIPL provides individual rights similar to those found in the GDPR.

The VDSM contains specific regulations for the automotive sector, including requirements to localize data in China under certain conditions. It applies to processing of personal information and important data in the course of design, manufacturing, sales, sharing, usage, operation, and maintenance of vehicles in China.

In addition, the Chinese authorities have issued numerous national standards that provide recommendations for the application and implementation of laws and administrative regulations. One of the most relevant national standards in relation to the Group's operations is the Information Security Technology—Personal Information Security Specification (GB/T 35273/2020). It contains operational principles for processing personal data, many of which have similarities to corresponding principles under the GDPR.

Regulatory developments by the Chinese legislature and sector regulators are still ongoing. For example, the Guidelines for the Construction of the Internet of Vehicles Cybersecurity and Data Security Standard System were published in March of 2022 and the implementation rules for conducting cross-border transfers of personal information under the PIPL were supplemented through the proposed Standard Contract in June of 2022 and the final form of the Outbound Transfer Measures in July of 2022.

13.3 Non-Financial Reporting and Supply Chain Due Diligence

Pursuant to the Non-Financial Reporting Directive and Germany's 2017 implementing legislation, the CSR (Corporate Social Responsibility) Guideline Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*), the Group is required, following the Offering, to publish reports periodically on certain non-financial aspects of its operations. Topics include environmental protection, social responsibility, treatment of employees, respect for human rights, anti-corruption and anti-bribery and, as part of the corporate governance statement, diversity. Members of a management or supervisory board can be held criminally liable if they breach reporting obligations. Additionally, group companies can be fined up to EUR 10 million, 5% of the annual turnover or twice the economic advantage derived from the misdemeanor. On June 21, 2022, the European Parliament and Council reached a political agreement on the proposal for a Directive on Corporate Sustainability Reporting ("**CSRD**") which aims to significantly expand the existing non-financial reporting requirements. Under the proposal, in-scope companies would, *inter alia*, have to report information on a wider scope of sustainability matters and their reporting must cover not only sustainability risks they face, but also the impact of their business on the society and the environment. Reports must be certified by an accredited independent auditor or certifier. Member States shall provide for collective liability provisions for the members of the administrative, management and supervisory bodies and for penalties applicable to infringements of the national provisions adopted in accordance with the CSRD. It is assumed that these will be comparable to or exceed those for a breach of the current non-financial reporting obligations described above. According to the political agreement, the new rules will apply for financial years starting on or after January 1, 2024 for large capital market-oriented companies. The agreement still needs to be formally adopted and will enter into force after its publication in the Official Journal of the European Union. It must then be implemented by the Member States.

The EU Taxonomy Regulation requires that companies such as the Group which are subject to non-financial reporting under the Non-Financial Reporting Directive include information in their non-financial statements on how and to what extent the company's activities are linked to environmentally sustainable economic activities. The reporting obligation has been applicable with respect to the environmental objectives "climate change mitigation" and "climate change adaptation" since January 1, 2022 and will be applicable with respect to four additional environmental objectives from January 1, 2023. Members of a management or supervisory board can be held criminally liable if they breach reporting obligations. Whether additional administrative liability provisions regarding non-financial reporting of the German Commercial Code will apply is controversial and cannot be excluded. Within the framework of the implementation of the CSRD, penalties are to be expected that also cover violations of the EU Taxonomy Regulation.

From January 1, 2023, the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz,* "**LkSG**") obliges companies with a minimum of 3,000 employees to: (i) conduct an appropriate risk analysis to identify human rights and environment-related risks in their supply chains; (ii) take respective preventive measures and remedial action; (iii) adopt a policy statement on human rights protection in their supply chains; (iv) implement grievance procedures to allow for the reporting of human rights violations and ensure appropriate follow-up measures; and (v) report on their compliance with the due diligence obligations. The Federal Office for Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*) will enforce these new obligations by means of information and discovery requests, remediation orders as well as financial penalties and exclusion from public procurement. The Act does not introduce new provisions on civil liability, yet liability under civil law arising independently of the Act remains unaffected.

In addition, the European Commission adopted a Proposal for a Directive on Corporate Sustainability Due Diligence on February 23, 2022 ("**CSDD Proposal**"), which is currently being presented to the European Parliament and the Council for approval. The proposal differs from the LkSG, *e.g.*, by expanding the scope of addressees of the affected companies and the list of protected goods, by extending the due diligence obligations to the entire value chain, and by introducing a new civil law liability element for breaches of due diligence obligations. Furthermore, the CSDD Proposal introduces duties for the directors of the EU companies covered, including setting up and overseeing the implementation of the due diligence processes and integrating due diligence into the corporate strategy. In addition, when fulfilling their duty to act in the best interest of the company, directors must take into account the human rights, climate change and environmental consequences of their decisions. If adopted, Member States will have two years to transpose the Directive into national law. This may lead to adjustments of the LkSG.

13.4 Class Actions

In several of the jurisdictions in which the Group operates, there is or has been an increasing prevalence of legislation governing collective redress mechanisms/class actions and their use to enforce regulations. As a result of these developments, consumers have increasingly powerful legal mechanisms at their disposal to collectively sue manufacturers of consumer products.

In the European Union, under the banner of "A New Deal for Consumers", the European Commission is facilitating a trend towards the increasing availability and use of collective redress mechanisms in areas in which EU law grants rights, including in particular consumer protection rules and regulations. The "Collective Redress Directive" (2020/1828/EU) came into effect in December of 2020. It empowers qualified entities (*e.g.*, certain organizations or public bodies) designated by EU Member States to seek injunctive or redress measures for the protection of the collective interests of consumers through representative actions. The Collective Redress Directive enables representative actions to be brought for the infringement of a limited set of European directives and regulations which concern, primarily, general consumer protection rules including data privacy, *e.g.*, Directive 85/374/EEC and Directive 2001/95/EC, and such provisions as transposed into national law, such as the corresponding German implementation acts of the directives described above. EU Member States have until December 25, 2022 to transpose the Collective Redress Directive into national law and another six months to apply the new rules. The Collective Redress Directive has not yet been implemented into German or any other Member States' law. In the Netherlands, however, the Dutch parliament already approved the Act implementing the Collective Redress Directive into national law and the Act is expected, subject to approval by the Dutch senate, to enter into effect on June 25, 2023. In past years, the Dutch legislator has adopted a very plaintiff-friendly collective redress mechanism which, *inter alia*, provides for an opt-out mechanism for domestic claims (meaning that the action can be brought on behalf of the entire class of potential claimants without the need for them to proactively choose to participate) and which only needs to be aligned with the Collective Redress Directive in minor respects. The plaintiff-friendly implementation in the Netherlands could encourage other Member States to adopt a similar approach to strengthen their own jurisdiction as a forum for European class actions.

Before the Collective Redress Directive was introduced by the EU, a law introducing a declaratory model action (*Musterfeststellungsklage*) came into force in Germany in November of 2018. With this declaratory model action, qualified entities are entitled to seek a legal declaration concerning factual or legal matters regarding consumer claims. Consumers can then opt in to a register to be bound by a judgment (and under certain circumstances also a settlement) in the declaratory model proceedings, which effectively bundles a large number of claims. Registration for the declaratory model action is free of charge and does not require representation by an attorney. The model declaratory action is therefore particularly appealing/attractive to consumers without legal aid/expenses insurance. Judgements are of declaratory nature only but are binding in subsequent individual proceedings on the defendant and all injured consumers who have registered claims. Since consumers will typically prefer the more attractive route of a direct action for injunctive or redress measures, it is expected that the model declaratory action in its current form will lose importance when the Collective Redress Directive is transposed into German law.

In China, a mechanism of representative actions has been established by the PRC Civil Procedural Law. Under such mechanism, if there are ten or more claimants (or defendants) in certain disputes and these disputes are the same or of the same kind, actions for such disputes can be consolidated as one representative action. If the potential claimants cannot be identified at the time the case is filed, the court may issue a public announcement to introduce the case specify the scope and criteria of qualified claimants, and notify potential qualified claimants to register their claims. If unregistered claimants who satisfy the criteria in the court announcement file a separate action after completion of the representative action within the period of limitation of the action, the judgement in the representative action also applies to that separate action.

In the United States, class actions can be more prevalent in consumer-facing industries such as the automotive industry. Class actions are permitted under the rules of procedure that govern civil actions. Rule 23 of the Federal Rules of Civil Procedure ("**Rule 23**") is the principal source of law relating to class actions in U.S. federal courts. Many states have enacted standards analogous to Rule 23 that govern class action proceedings in their respective state courts. In each case, the court must certify a class action, and will only do so if the requirements of the relevant civil rules are satisfied. Since the passage of the Class Action Fairness Act in 2005, an increasing number of class actions proceed in the U.S. federal courts.

13.5 Financial services

The Group's operations include the provision of financing and insurance intermediation services to customers in a number of different jurisdictions and, accordingly, have to be conducted in compliance with the relevant financial legislation as well as with the rules and regulations imposed by the relevant financial services authorities in these jurisdictions, including, *e.g.*, with respect to capital requirements for financial services entities. Non-compliance with applicable laws, rules and regulations can lead to penalties or even the revocation of operating licenses in the relevant jurisdictions. The Group has specialized staff in the parts of the business that are affected so that it can monitor and respond to applicable requirements and ensure compliance with them. Financial Services comprises the Group's Financial Services segment, and therefore comprises the main regulatory focus in terms of financial services.

The European Union's Directive 2013/36/EU, as amended ("**CRD V**"), and related regulations and publications, form the legal basis for the business activities of a number of financial services entities of the Group across the European Union. CRD V, as implemented in the relevant jurisdictions, contains standards of corporate governance, risk management functions and risk control, and regulatory supervision of financial institutions, as well as the possibility for national regulatory supervisors to impose effective, proportional and deterring sanctions.

The European Union's Fifth Anti-Money Laundering Directive (EU) 2018/843, as amended by Directive (EU) 2018/1673 ("**AMLD V**"), came into force in 2020 and requires a risk-based approach to anti-money laundering measures. Appropriate steps must be taken to identify and assess the risks of money laundering and terrorist financing in individual business relationships and transactions. AMLD V also sets out a prescribed list of matters which must be covered in each assessment of a transaction. To ensure compliance with AMLD V and local laws, the Group has established policies and trained anti-money laundering experts.

In the U.S., the business operations of the Group's relevant financial services entities subject to a retail installment sales license and/or a leasing license are supervised by the Consumer Financial Protection Bureau at the federal level and various regulatory agencies of the relevant state governments. The specific regulation and supervision of the sales finance and leasing activities of the relevant financial services entities vary from state to state.

The Group's relevant financial leasing activities in China are supervised by the China Banking and Insurance Regulatory Commission, with respect to general policy making, and the Shanghai Financial Regulatory Bureau as well as the Pudong New District Financial Regulatory Bureau with regard to day-to-day supervision.

14 CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as a company or that are in control of or controlled by a company must be disclosed unless they are already included as consolidated entities in a company's consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures), as well as transactions with persons who have significant influence on a company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Executive Board and Supervisory Board and close members of their families.

Set forth below are details of such transactions with related parties for the current year up to and including the date of this Prospectus and as of and for the years ended December 31, 2021, 2020 and 2019 and as of and for the six months ended June 30, 2022. Further information on related-party transactions, including quantitative amounts, is contained in the notes to the Audited Consolidated Financial Statements and Unaudited Condensed Interim Consolidated Financial Statements, which are included elsewhere in this Prospectus. Business relationships between companies of the Group are not included.

14.1 Certain ongoing Relationships with Related Parties

14.1.1 Relationship Agreement between the Company and Volkswagen AG

On September 5, 2022, with effect as of completion of the Offering, the Company and Volkswagen AG entered into an agreement in which the future relationship, particularly the cooperation, alignment and collaboration on certain matters have been agreed upon between the parties thereto (the "**Relationship Agreement**").

While the Company will be a listed German stock corporation (*Aktiengesellschaft*), it will still be part of the Volkswagen Group as Volkswagen AG will indirectly continue to hold the majority of the Ordinary Shares of and therefore the voting rights in the Company, so that the relationship between Volkswagen AG and the Company will be qualified as a de facto group (*faktischer Konzern*) within the meaning of Section 311 *et seq*. AktG. Therefore, among other things, the Company and Volkswagen AG have agreed to cooperate, align and collaborate on certain matters, *inter alia*, to support each other in fulfilling their respective legal obligations.

In this respect, Volkswagen AG and the Company have agreed in the Relationship Agreement, among other things, that Volkswagen AG will continue to include the Company in the consolidated financial statements by way of full consolidation. Because Volkswagen AG and the Company no longer form a contractual group (*Vertragskonzern*), the Executive Board of the Company will legally no longer be subject to instructions from Volkswagen AG in the future (regarding the termination of the Porsche DA, see "*14.1.5 Termination of Domination Agreement and Profit and Loss Transfer Agreement with Porsche GmbH*"). According to the Relationship Agreement, the Company shall comply with the principle of group-friendly conduct (*Grundsatz des konzernfreundlichen Verhaltens*) and Volkswagen AG shall comply with the principle of due consideration to the interests of the Company (*Grundsatz der Rücksichtnahme*).

Volkswagen AG is required to establish and operate a group-wide CMS, ICS and risk management system ("**RMS**"). At the same time, the Company is required to continue to operate an appropriate and effective CMS, ICS and RMS for its Group, which is aligned with the scope of business activities and the risk situation of the Company's Group and adequately takes into account the Volkswagen Group-wide systems. In this context, Volkswagen AG has the right to require compliance by the Company with the obligations regarding CMS, ICS or RMS as well as to require a review of their effectiveness and appropriateness by an external expert for justified reasons.

Furthermore, the Company is required to fully observe certain Volkswagen Group policies or binding requirements of the Volkswagen supervisory board in both cases to the extent that they relate to the fulfilment of legal (compliance) requirements by Volkswagen AG. A limited set of further Volkswagen Group policies needs to be observed in part, granting the Company autonomy to adjust these policies to its business model, size and risk profile as well as autonomy regarding the processes and tools to fulfill the requirements under these Volkswagen Group policies. If Volkswagen AG issues new group policies, these are to be implemented by the Company to the extent they concern external financial or non-financial reporting, compliance with legal requirements or the protection of Volkswagen AG or its corporate bodies from liability. This also applies if the new group guidelines are based on binding requirements of the Volkswagen AG's supervisory board, in particular regarding the reporting requirements, insofar as they relate to the fulfilment of legal (compliance) obligations. Apart from this, the Company decides at its own discretion whether or not to implement new

Volkswagen Group policies, taking into account the group interests of Volkswagen AG as an important consideration.

The supervision of the governance, risk, compliance, integrity and legal functions for the entire Volkswagen Group (including the Group) is based on the so-called "Three Lines Model" of the Institute of Internal Auditors and is the responsibility of Volkswagen AG. The Company has to procure the implementation and continuation of proper governance, risk, compliance, integrity and legal functions, corresponding, on an ongoing basis, to the respective functions on Volkswagen Group level. Volkswagen AG will be involved in the appointment of new relevant functional heads of the Company. The final decision-making right in personnel selection and appointment/nomination remains with the Executive Board of the Company. Volkswagen AG may require annual and event-driven reports from the Company regarding the organizational set-up and the situation of resources of the Company's governance, risk, compliance, integrity and legal functions.

The Company must provide Volkswagen AG with the necessary information to ensure full consolidation, comply with applicable laws, fulfill balance sheet, tax, ESG and other external reporting, carry out group audits and for (re-)financing and rating purposes.

The Company will continue to take part in the planning round processes of Volkswagen AG and provide all necessary information thereto. The Company decides at its own discretion about its business planning but will base its planning on Volkswagen Group's planning assumptions and basic planning methods.

The Company shall, to the extent permitted by law, stay in the cash pool of Volkswagen AG. Loans under the cash pool are granted and drawn down on arm's length terms and with the implementation of appropriate information, early warning, and response systems to the benefit of the Company.

In addition, the Company will establish a Porsche Clearing Committee which will be responsible for the determination and processing of inside information, its disclosure as well as for deferral decisions and the coordination with the Volkswagen Clearing Committee in this regard.

Volkswagen AG and the Company will align to achieve, as much as possible, coherent non-financial external reporting.

Volkswagen AG and the Company will continue to use the existing decision-making structures, Volkswagen Group committees and processes of Volkswagen Group and establish a cooperation committee to clarify differences of opinion. The Relationship Agreement has a fixed term until December 31, 2042, with an automatic renewal option for 10 years at a time.

14.1.2 Tax Agreement between the Company and Volkswagen AG

Based on the provisions of the Relationship Agreement, on September 18, 2022, the Company entered into a tax agreement with Volkswagen AG (the "**Tax Agreement**") to define their future cooperation with regard to certain tax matters. Under the Tax Agreement, the Company agreed to continue following the corporate guideline (*Konzernrichtlinie*) of Volkswagen AG regarding taxes and to continue working together with Volkswagen AG with regard to certain tax matters (*e.g.*, reporting obligations and granting access to information and documents for tax purposes).

If in an ongoing tax audit concerning the tax period of 2022 or previous tax periods adjustments shall be made that affect either any other member or any German tax group of Volkswagen Group or result in an increase of the income tax base at the level of the Company (prior to its attribution to the head of the tax group) of EUR 10 million or more per item and tax assessment period, the Company is obliged to coordinate with Volkswagen AG in respect to such tax audit. In addition, in any such cases, the Company shall accept any assessments only and shall only be entitled to settle any proceedings with the consent of Volkswagen AG.

Further, the parties of the Tax Agreement agreed to undertake all necessary actions to ensure that the established tax groups for corporate income tax, trade tax and VAT between the Company and Volkswagen AG up to and including the tax period of 2022 will be recognized by the tax authorities for past periods. Additional tax burdens arising from these tax groups (including from members of the Group that were part of a German tax group with the Company) are deemed to be already covered by the booked and/or paid tax allocations (*Steuerumlage*) respectively payments under the Porsche PLTA. Hence, there shall be no additional payments by the Company with respect to additional tax burdens for past periods which may, *e.g.*, arise due to tax audits, except and to the extent the Company can realize claims for reimbursement of VAT against third parties.

If a tax group is fully or partly not recognized by the tax authorities, the parties under the Tax Agreement will reimburse the respective tax allocation payments made (including interest paid) for the period for which the tax group is challenged and Volkswagen AG will transfer any respective interest received according to Sec. 233a

German Tax Code (*Abgabenordnung*; "**AO**") to the Company accordingly. In this case, and for those periods for which the tax group is not fully recognized, additional tax burdens (including interest) which may arise, *e.g.*, due to tax audits, and which were not part of the tax allocations, will be borne by the Company.

If and to the extent, adjustments by a tax audit or due to a tax proceeding are made, for periods in which the Company was part of a tax group (indirectly) with Volkswagen AG, which increase the net assets in the tax balance sheet of the Company (or another member of the Group that was part of a German corporate income tax group with the Company) and such increase leads to reverse tax effects in future tax periods, the Company shall be obliged to reimburse Volkswagen AG any calculated tax relief resulting from the reverse tax effects including relief from interest thereon (according to Sec. 233a AO) to the extent the aggregated relief exceeds an amount of EUR 100 million (*Freibetrag*).

If and to the extent taxes will arise for periods after December 31, 2022 at the level of a member of Volkswagen Group which are economically caused by activities of members of the Group (or vice versa), the parties of the Tax Agreement will agree on a tax allocation agreement to allocate such taxes to that group that has economically caused the respective taxes (in consideration of Sec. 311 AktG). Such a tax allocation agreement may especially be introduced if and when the Global Anti-Base Erosion Model Rules (Pillar Two), or any legislation intended to implement such rules, are implemented.

Furthermore, the parties of the Tax Agreement agree that, to the extent possible, certain restructuring measures (including the Spin-Off 1 and Spin-Off 2) shall be implemented tax-neutral. If and to the extent taxes arise due to these restructuring measures, such taxes shall be borne by Volkswagen AG.

If, after the IPO, a foreign member of the Group continues to be part of a tax group with Volkswagen AG or another member of Volkswagen Group, the parties of the Tax Agreement agree that a dedicated tax allocation agreement (*Steuerumlage*) shall be agreed upon.

14.1.3 Indemnification and Cost Reimbursement Agreement between the Company and Volkswagen AG

On September 18, 2022, the Company and Volkswagen AG entered into an indemnification and cost reimbursement agreement (the "**Indemnification and Cost Reimbursement Agreement**"). Under the Indemnification and Cost Reimbursement Agreement, Volkswagen AG has agreed to indemnify and hold harmless the Company from any liabilities, losses, and damages resulting from or related to the Offering, including reasonable legal costs related to the defense against Offering-related claims (together, the "**IPO Damages**"), subject to any deduction for IPO Damages of the Company reimbursed through any Offering-related insurance. Subject to certain exemptions, Volkswagen AG, additionally, has agreed to reimburse the Company for fees, costs and expenses incurred or to be incurred in connection with the Offering.

14.1.4 Industrial Cooperation Agreement between the Company and Volkswagen AG

The Company currently maintains an extensive industrial cooperation and strategic collaboration with Volkswagen Group, which entails synergies for the benefit of Volkswagen Group and the Group and provides it with access to important products and services. The existing industrial cooperation covers in particular the areas of research, product development (including product positioning and product range), production, purchasing and procurement, logistics and IT. Following the framework agreement (*Eckpunktevereinbarung*) between Porsche SE and Volkswagen AG dated February 24, 2022, the Company entered into an industrial cooperation agreement with Volkswagen AG on September 5, 2022 (the "**Industrial Cooperation Agreement**"), which shall regulate the future design of the industrial and strategic cooperation between the Volkswagen Group and the Group. The Industrial Cooperation Agreement essentially contains general provisions for the continuation of the existing industrial cooperation between the Volkswagen Group and the Company as well as specific provisions for particular regulatory areas.

The Industrial Cooperation Agreement will become effective with completion of the Offering. It has an initial fixed term until the expiry of December 31, 2042, and will be automatically renewed for further consecutive fixed terms of ten (10) years each unless the Industrial Cooperation Agreement is terminated no later than six months prior to the expiration of the respective term by giving due notice to the other party. The right of extraordinary termination for good cause (*Recht zur außerordentlichen Kündigung aus wichtigem Grund*) remains unaffected.

14.1.4.1 *Basic Principles of the Industrial Cooperation Agreement*

In terms of the basic principles for the future industrial cooperation between the Company and the Volkswagen Group, the Industrial Cooperation Agreement stipulates that, *inter alia*: (i) the existing industrial and strategic cooperation is in the best interest of both parties and shall therefore be comprehensively continued; (ii) the existing group transfer pricing mechanisms shall apply on all existing and future contractual relations between the Group and the Volkswagen Group, unless otherwise agreed between the parties on a case by case basis; (iii) the increase in flexibility of the Company and its Executive Board (for risks arising from dual mandates of members from the Supervisory Board and the Executive Board, which are also on boards of the Volkswagen Group, see "*1.5.3 Dual mandates where individuals are board members of the Company and at the same time board members at Volkswagen Group or Porsche SE as well as other relationships with the Volkswagen Group or Porsche SE may result in conflicts of interest*")—which is still subject to certain approval rights of the Supervisory Board (see "*18.3 Supervisory Board*")—shall be duly recognized when negotiating future industrial and strategic collaborations; (iv) with regard to any decisions or measures in relation to the industrial cooperation, the Company will comply with the principle of group-friendly behavior (*Grundsatz des konzernfreundlichen Verhaltens*) and Volkswagen AG will duly consider the interests of the Company (*Grundsatz der Rücksichtnahme*); and (v) the Company and Volkswagen AG will mutually exchange information on strategic issues, strategic partnerships and significant strategic transactions.

14.1.4.2 *Continuation of Existing Cooperations and Organizational Decision-Making Structures*

The Company and Volkswagen AG will continue existing cooperations, *i.e.*, that, *inter alia*: (i) all existing individual, model and framework agreements, as well as orders, delivery plans and delivery requests shall continue to apply; (ii) the Company remains a member of Volkswagen AG's plant alliance (*Werkeverbund*) and will remain a donor and user of production services; (iii) the Company will continue to procure house, carry-over and spare parts via the Volkswagen Group in accordance with existing contracts; and (iv) the existing group research agreement (*Konzernforschungsvertrag*) will continue to apply unchanged for an interim period, meanwhile strengthening the influence of the participating brands on the research project portfolio and adjusting the focus of the cost allocation of the participating brands.

Furthermore, the Company and Volkswagen AG will continue to use the established structures, group committees and processes and will seek to increase their efficiency. The Company will participate in all relevant Volkswagen Group committee meetings as before to the extent relevant for the industrial and strategic cooperation and competitive interests. Decisions of such Volkswagen Group committees are, however, not binding for the Company, but are of a recommendatory nature only. In addition, the Company and Volkswagen AG will establish a cooperation committee (*Kooperationsausschuss*) (the "**Cooperation Committee**"). The Cooperation Committee can be convened to seek joint decisions or to resolve disagreements between the Company and Volkswagen AG relating to the parties' cooperation under the Industrial Cooperation Agreement. In addition, the Cooperation Committee will ensure early and ongoing mutual information and coordination in connection and in accordance with the subject areas regulated in the Industrial Cooperation Agreement. Furthermore, the Cooperation Committee can be convened if either the Company or Volkswagen AG considers that a measure or decision of the other party has a significant negative impact on its own interest. If no joint decision can be achieved within the Cooperation Committee, each of the Company and Volkswagen AG may decide the respective matter independently, given their autonomy.

14.1.4.3 *Future Cooperation and Strategic Collaboration*

The Company and Volkswagen AG will also in the future comprehensively work together taking into account the associated synergies.

The Company will continue to participate in the planning cycle process (*Planungsrundenprozess*) with particular regard to the provision of information to develop the group-wide cycle plan for vehicles with road approval (*Straßenzulassung*). Decisions on vehicle projects, operation dates, positionings, pricing and distribution will be made on an autonomous basis by each respective party.

The Company and Volkswagen AG will inform each other at an early stage about planned product strategies and strive to agree on whether a joint strategic phase is in their mutual interest. Beyond this, the Company and Volkswagen AG will inform each other on an informal and trustworthy basis about their strategies, in particular in the fields of technological development, development of new business fields and strategic partnerships (including significant strategic transactions).

If the Company and Volkswagen AG disagree to conduct a joint strategic phase or the joint strategic phase is terminated at an early stage, each party may pursue its envisaged strategies and projects without the involvement of the other party.

If no joint project is carried out, the Company or Volkswagen AG will decide, at its due discretion, whether to allow the other side the use of the respective platform, module, hat or other item, object or system. Outside of specific collaborations, the Company and Volkswagen AG are free to decide about the marketing of their products to third parties, but will not pursue any marketing to the significant detriment of the respective other party.

14.1.4.4 *Specific Regulations of the Industrial Cooperation Agreement*

In addition, for specific areas of regulation, the Industrial Cooperation Agreement contains the following provisions:

Research and Development

The Company will remain in the development alliance (*Entwicklungsverbund*) with Volkswagen AG. The Company and Volkswagen AG intend to realize synergies through the continuation of mutual research and development work and central services (*e.g.*, in the area of product conformity) and to further evolve the technical development of the entire Volkswagen Group. In order to increase the efficiency of the cooperation and to facilitate joint decisions, the parties intend to further standardize the product development process. In addition, the parties intend to also further standardize the processes, methods and tools (in particular software and hardware architectures) to enable joint developments of competitive functions.

Production

The Company and Volkswagen AG will continue the mutual technical and strategic development of the plant alliance (*Werkeverbund*).

Purchasing/Procurement

The Company and Volkswagen AG envisage continuing the existing collaboration in the field of purchasing and procurement to exploit synergy potentials. The collaboration includes strategic positioning and development as well as operational activities, in particular cross-brand allocation and procurement decisions, the use and application of common IT systems and processes, the exchange of information and other topics. Sourcing that exclusively affects the Company may be independently carried out and decided by the Company in the future. Further details will be agreed in a separate purchasing and procurement cooperation agreement, see "*14.1.6 Purchasing and Procurement Cooperation Agreement*".

Logistics

The existing logistics cooperation between the Company and Volkswagen AG shall be continued comprehensively. The Company and Volkswagen AG agree that the bundling of the commissioning of inbound logistics and new vehicle logistics can achieve considerable economies of scale and synergies, which are of mutual interest.

Emission and Exhaust Pools

Existing emission and exhaust gas pools will be continued in the long term and as far as legally permissible. With regard to future decisions on the continuation or establishment of new emission and exhaust gas pools, the Company and Volkswagen AG will inform each other mutually.

IT

Initially, the Company and Volkswagen AG will maintain their existing IT infrastructure. In case of adaptations to the IT infrastructure, the Company and Volkswagen AG will ensure that the respective systems will further promote a comprehensive and smooth industrial and strategic cooperation. The future collaboration between the Company and Volkswagen AG in the context of Group IT, including the provision of the required overarching tasks in the fields of IT security, IT infrastructure and IT licenses, shall be carried out in consideration of the basic principles of the Industrial Cooperation Agreement and on the basis of the provisions applicable within the Volkswagen Group and coordinated with the Company.

14.1.5 Termination of Domination Agreement and Profit and Loss Transfer Agreement with Porsche GmbH

At the date of this Prospectus, the Company, as controlled entity, and Porsche GmbH, as controlling entity, are parties to a Domination Agreement (*Beherrschungsvertrag*) ("**Porsche DA**") and a Profit and Loss Transfer Agreement (*Gewinnabführungsvertrag*) ("**Porsche PLTA**"), each dated November 13, 2009. The latest amendment to the Porsche PLTA is dated December 11, 2015, and became effective on January 1, 2016.

Under the Porsche DA, Porsche GmbH is entitled to issue instructions (*Weisungen*) to the Executive Board with respect to its management (*Leitung*), which the Executive Board is obliged to follow. The right to issue instructions may only be exercised if: (i) the Company remains a German stock corporation (*Aktiengesellschaft*) with its registered seat (*Sitz*) in Stuttgart-Zuffenhausen; (ii) the Company remains an independent brand with its own development, production and distribution network; (iii) independent structures with own product and investment decisions remain in place; and (iv) the Company is able to make its own product and investment decisions.

Under the Porsche PLTA, the Company must transfer its entire annual earnings after taxes for the year determined by the Company's unconsolidated annual financial statements prepared in accordance with German generally accepted accounting principles of the HGB to Porsche GmbH (subject to the formation of retained earnings (*andere Gewinnrücklagen*) with the consent of Porsche GmbH in accordance with Section 272 para. 3 HGB) arising without the profit transfer, in accordance with Section 301 AktG reduced by any loss carry-forward (*Verlustvortrag*) from the previous year, by the amount to be allocated to the statutory reserve (*gesetzliche Rücklage*) in accordance with Section 300 HGB and by the amount blocked from distribution (*ausschüttungsgesperrter Betrag*) in accordance with Section 268 para. 8 HGB. The earnings after taxes to be transferred shall be determined in accordance with the accounting regulations stipulated in the German Commercial Code (Sections 238 seqq. HGB). Conversely, Porsche GmbH must compensate any annual net loss in accordance with Section 302 AktG, to the extent that such loss is not offset by withdrawing amounts from retained earnings (*andere Gewinnrücklagen*) formed during the term of the Porsche PLTA.

The Company's earnings after taxes for the year ended December 31, 2021 transferred to Porsche GmbH amounted to EUR 1,858 million; and the Company's earnings after taxes transferred to Porsche GmbH in the years ended December 31, 2020 and 2019 amounted to EUR 1,860 million and EUR 1,798 million, respectively.

Pursuant to Section 307 AktG, the Porsche DA and the Porsche PLTA terminate by operation of law at the end of the financial year of the Company in which a minority shareholder acquires a shareholding in the Company. Assuming completion of the Offering, they will both therefore terminate with effect as of December 31, 2022.

Following the year ended December 31, 2022, the 2022 earnings after taxes will be transferred to Porsche GmbH under the Porsche PLTA.

For information regarding the Dividend 2022 which the Company intends to pay as symbolic dividend in the aggregate amount of EUR 911 million (plus the extra dividend of EUR 0.01 per Preferred Share), irrespective of the PLTA, see "*7.3 Dividend 2022*".

14.1.6 Purchasing and Procurement Cooperation Agreement

The Company and Volkswagen AG have agreed within the Industrial Cooperation Agreement to further develop and detail out the existing cooperation between the Company and Volkswagen Group in the fields of purchase and procurement in a separate agreement. Therefore, and in accordance with the specifications of the Industrial Cooperation Agreement, the Company and Volkswagen AG are negotiating a purchasing and procurement cooperation agreement (the "**Purchasing and Procurement Cooperation Agreement**") which is intended to be signed at some point following the date of this Prospectus.

The Purchasing and Procurement Cooperation Agreement contains general principles for the continuation of the existing cooperation between the Company and Volkswagen Group in the fields of purchasing and procurement, including rules on its general organisation as well as specific provisions for certain essential areas of purchasing and procurement. The provisions of the Purchasing and Procurement Cooperation Agreement particularly pursue two objectives: on the one hand, they aim to ensure that existing synergy potentials in the fields of purchasing and procurement, which are in the mutual interest of the Company and Volkswagen Group, are essentially retained and exploited after the Offering has been concluded; on the other hand, the provisions are intended to equip the Company with a higher degree of autonomy in the fields of purchasing and procurement in particular with regard to Porsche-specific sourcing.

The Purchasing and Procurement Cooperation Agreement will have an initial fixed term and will provide for renewal periods. The details are to be determined. The right of extraordinary termination for good cause (*Recht zur außerordentlichen Kündigung aus wichtigem Grund*) remains unaffected.

14.1.7 CARIAD Cooperation Framework Agreement and Related Contracts

14.1.7.1 *CARIAD Cooperation Framework Agreement*

In September of 2019, Volkswagen AG, Audi and the Company agreed to establish a new organisational unit in order to establish automotive software as a core competence and element of the strategic development of the Volkswagen Group. This organisational unit was the nucleus of CARIAD, a subsidiary of Volkswagen AG.

On February 7, 2022 with retroactive effect as of July 1, 2020, the Company, Volkswagen AG and Audi on the one hand (each, a "**Brand**", and together, the "**Brands**") and CARIAD on the other hand, entered into a cooperation framework agreement, in which they agreed upon the general rules, rights and obligations of the parties in connection with building an automotive software organization (the "**CARIAD Cooperation Framework Agreement**"). The scope of the activities to be conducted by CARIAD under this agreement and the respective responsibilities of the parties are based on transferred projects and related services ("**CARIAD Scope**") and the changes and extensions of the CARIAD Scope as confirmed by the respective sourcing Brands. The parties to the CARIAD Cooperation Framework Agreement agreed to cooperate and assist each other in order to successfully pursue the objectives of the CARIAD Cooperation Framework Agreement.

The CARIAD Cooperation Framework Agreement contemplates the pooling of certain resources, assets, IP, know-how and data relating to car software existing at the Brands by execution of several additional agreements between each Brand and CARIAD or one of its entities based on template agreements attached to the CARIAD Cooperation Framework Agreement, namely (i) Services Agreements (each, an "**SA**"), (ii) Asset Provisioning Agreements (each, an "**APA**"), (iii) Patent License Agreements (each, a "**PLA**"), and (iv) License and Service Agreements (each, an "**LSA**") (together, the "**Additional Agreements**"). Each Additional Agreement includes provisions on, for example, performance, term, termination rights, warranties, payment terms and limitation of liability. On February 7, 2022 the Company and CARIAD also entered into an SA, an LSA, an APA, a PLA, and the CARIAD Porsche Side Letter (as defined below). Audi and Volkswagen AG have also entered into Additional Agreements with CARIAD presumably on identical terms or substantially similar terms.

The parties' liability under the CARIAD Cooperation Framework Agreement and the Additional Agreements for damages is subject to varying fiscal limits.

The CARIAD Cooperation Framework Agreement has a minimum term until December 31, 2029, with an automatic extension by successive 60 months periods, unless it is terminated earlier. Either party may terminate the agreement with effect at the end of the then current term by giving the other parties 12 months prior notice. While a Brand may only terminate the CARIAD Cooperation Framework Agreement *vis-à-vis* all other parties (and thereby withdraw from the cooperation), CARIAD may terminate it *vis-à-vis* a specific Brand (and thereby exclude only such specific Brand from the cooperation under the CARIAD Cooperation Framework Agreement) or all Brands. Each of the parties may also terminate the agreement and Additional Agreements for cause. Any termination is only permitted if the terminating Brand informs the executive board of Volkswagen AG of the intention of such termination before serving the notice of termination. Such information is deemed as an initiation of a dispute resolution conducted by certain members of the executive board of Volkswagen AG.

In case of (i) a change of control of CARIAD and/or (ii) a cessation of business of CARIAD, the Company has a right to re-acquire on an arm's length basis at their fair market value all or certain assets the Company provided to CARIAD in accordance with its APA on the basis of an asset purchase agreement that mirrors the provisions of the APA to the extent reasonably applicable.

14.1.7.2 *SA*

The SA entered into by the Company defines the terms and conditions under which the Company provides to CARIAD transitional and additional services and temporary licenses in the Company's automotive software and related derivative works as well as relevant know-how, IP rights and data and related hardware. Unless otherwise agreed for specific projects, the term and termination provisions of the CARIAD Cooperation Framework Agreement apply accordingly to the SA. The fees to be paid by CARIAD for the services and temporary licenses are individually agreed upon for specific projects. The obligations of the Company under the SA were subject to the conclusion of the LSA described below.

14.1.7.3 *APA*

Under the APA entered into by the Company, the Company provides certain of its assets relating to the CARIAD Scope to CARIAD with economic and legal effect as of January 1, 2021. The obligations of the Company under the APA were subject to the conclusion of the LSA described below.

The assets provided by the Company include certain (i) tangible assets that are transferred, (ii) intangible assets (in particular software) that are licensed or transferred and (iii) contractual relationships, in each case relating to or used for the CARIAD Scope. The Company expressly does not provide to CARIAD any trademarks, patents and utility models of the Company under its APA.

The Company grants CARIAD a non-exclusive, perpetual, paid-up, worldwide, non-sublicensable and non-transferable license to use the licensed intangible assets to the extent necessary for CARIAD for the development, optimization, error correction and maintenance of products and services within the CARIAD Scope for the Company and other members of the Volkswagen Group under the CARIAD Cooperation Framework Agreement.

The compensation to be paid for the assets sold and transferred by the Company under its APA amounts to approximately EUR 104 million. Under the APA, CARIAD grants to the Company a non-exclusive, perpetual, royalty-free, worldwide, sub-licensable, transferable and unrestricted license to use the transferred intangible assets in all currently or subsequently known ways for all purposes.

14.1.7.4 *PLA*

Under the PLA entered into by the Company, the Company licenses rights in certain patents and utility models, *inter alia*, in the areas “Infotainment & Comfort” and “Automated Driving” and relating to the CARIAD Scope to CARIAD. The PLA was concluded with retroactive effect as of January 1, 2021. The obligations of the Company under the PLA were subject to the conclusion of the LSA described below.

The PLA provides that CARIAD receives a non-exclusive, non-assignable, non-transferable, royalty-bearing license under the licensed patents to develop, manufacture, offer, sell, lease, deliver, use, maintain and improve products developed and supplied by CARIAD within the CARIAD Scope.

To the extent CARIAD or its subsidiaries intend to use the licensed patents as background IP in cooperation relationships with third parties, this requires a separate agreement with the Company containing market-standard remuneration provisions.

The PLA provides for a revenue-based license fee calculated on a royalty rate that will decline as of 2026. CARIAD is, however, not required to pay a license fee to the Company for the Company’s use of products developed and supplied by CARIAD within the CARIAD Scope.

The PLA has a minimum term until December 31, 2029, with an automatic extension by successive 12-months periods. Either contractual party to the PLA may terminate the PLA with effect to the end of the minimum/extension period by giving the other party 12 months prior written notice. The PLA terminates in any case with the termination of the CARIAD Cooperation Framework Agreement.

14.1.7.5 *LSA*

Under the LSA entered into by the Company, CARIAD shall develop and license existing and additional automotive software and related hardware being part of the CARIAD Scope (“**Licensed Products**”) to the Company and provides operational services, as well as any hosting, testing, maintenance, update and support services relating to the Licensed Products and (if applicable) custom developments. The licence fee for Licensed Products in the domains “Connected Car Platform”, “Infotainment & Comfort”, “Autonomous Driving” and “Vehicle Motion” is based on the full cost incurred by CARIAD allocated to the Brands (including the Company) in accordance with agreed planning parameters (including planned volumes) and a “T shirt size” logic for bundles of product/service functionalities (S, M, L, XL) to which a profit margin of 12.5% is added. The Licensed Products also include products in the domain of e-commerce and backend services, of which the Company consumes very few at the moment and intends to consume only a small portion of the product portfolio in the mid-term. The licence fee for Licensed Products in this domain has not yet been agreed. The fees to be paid by the Company for custom developments are individually agreed for specific projects.

Under the LSA, the Company is obliged to source and CARIAD is obliged to deliver the product portfolio of CARIAD within the CARIAD Scope exclusively from CARIAD. CARIAD is required to align its product portfolio to the respective model kit in the competent Volkswagen Group bodies. In the CARIAD Porsche Side

Letter a right of the Company to opt-out in respect of the end-to-end electronic architecture E^3 2.0 was agreed (see "*14.1.7.6 CARIAD Porsche Side Letter*" for details).

CARIAD may distribute services, Licensed Products and custom developments to parties other than a Brand. However as a general principle, CARIAD shall not make such distributions to the Brands' end customers, importers or dealership organizations (*Handelsorganisationen*), including service partners.

CARIAD must grant to the Company, at the Company's request, the perpetual, irrevocable, worldwide, non-exclusive, sub-licensable but otherwise non-transferable right to use IP rights of CARIAD which are directed at technical interfaces or Application Programming Interfaces of CARIAD, for use by the Company for the Company's business purposes, and the Company shall be obliged to grant such a license to CARIAD for use by CARIAD inside the CARIAD Scope.

However, the Company is not allowed to use such IP rights of CARIAD for alternative products and services that compete with products and services within the CARIAD Scope and CARIAD is not allowed to use such IP rights of the Company for alternative products and services that compete within the Company's scope. Under the CARIAD Porsche Side Letter, the LSA is amended to provide that CARIAD is obliged to grant the cross-license to the Company without such restriction on request by the Company in the following cases: (i) CARIAD is not able or refuses to provide a respective service or deliverable and/or (ii) the cost of a respective service or deliverable in comparison to a similar product or service either to be developed or available on the market will be exceeded by more than 15% and/or (iii) the estimated delivery time of a respective service or deliverable in comparison to a similar product or service either to be developed or available on the market will be exceeded by more than six months.

The term and termination provisions of the CARIAD Cooperation Framework Agreement apply accordingly to the LSA. In case of (i) a change of control in CARIAD and/or (ii) a cessation of business of CARIAD, the Company shall be entitled to engage a third party provider with the provision of the services formerly provided by CARIAD.

14.1.7.6 *CARIAD Porsche Side Letter*

Pursuant to a side letter entered into by the Company and CARIAD on February 7, 2022 (the "**CARIAD Porsche Side Letter**"), the Company is entitled to opt-out of the CARIAD Cooperation Framework Agreement and the LSA with respect to services/products (license bundles or reasonable packages thereof to be mutually agreed upon) relating to the end-to-end electronic architecture E^3 2.0 by giving notice to CARIAD. The opt-out right is limited in time and the decision regarding the opt-out right is expected to be made sometime in 2023. In such case, the CARIAD Scope is adapted accordingly with respect to the Company and the Company has no sourcing obligation and/or obligation to provide respective assets whatsoever in this regard. In case such opt-out has a negative financial impact on Volkswagen AG and/or Audi, the Company is obliged to bear the costs resulting from the execution of these rights subject to the following: The Company will negotiate in good faith with Volkswagen AG and/or Audi with the aim of reaching a reasonable commercial solution with respect to costs already accrued until the Company has executed its right to opt-out.

The Company is entitled to further develop itself and/or have developed by third parties services/products (or modules or parts thereof) of CARIAD relating to E^3 1.2. This includes function/application developments by the Company itself and/or by third parties to upgrade and/or update and/or extend E^3 1.2. CARIAD is entitled to acquire/license such further developments by the Company and may choose to make these available to the Volkswagen Group and Audi as part of the standard release offer E^3 1.2. The side letter parties, under consultation with the CFO of Volkswagen AG, will align on the details and financial conditions of any such acquisition/license. The Company however, will not develop an entire new software stack for E^3 1.2. CARIAD has to support and enable the Company in this regard by a modular development of CARIAD services/products (or modules or parts thereof). The Company and CARIAD, under consultation of the CFO of Volkswagen AG, will align what compensation is to be paid by the Company for this right to further developments.

14.2 Past Transactions with Related Parties

14.2.1 Transactions with Related Parties in 2021, 2020 and 2019

As of December 31, 2021, the Company was a subsidiary of Porsche GmbH, Stuttgart. Since August 1, 2012, the Company and its fully consolidated subsidiaries together with Porsche GmbH have been included in the consolidated financial statements of Volkswagen AG based on the control concept.

There were receivables from and liabilities to Porsche GmbH as of December 31, 2021, 2020 and 2019. Financial services rendered to Porsche GmbH led to interest income of EUR 368 million in 2021

(2020: EUR 367 million and 2019: EUR 368 million) while services received of EUR 0 million (2020: EUR 0 million and 2019: EUR 0 million) were recognized under interest expenses.

Even after the transfer of Porsche GmbH to Volkswagen AG in the year 2012, the companies of the Porsche SE group are related parties due to their significant influence on Volkswagen AG.

Pursuant to the announcement on January 4, 2022, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft Niedersachsen mbH, Hanover, held 20.00% of the voting rights in Volkswagen AG as of December 31, 2021. Furthermore, the annual general meeting of Volkswagen AG resolved on December 3, 2009 that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

There were supply relationships with the Volkswagen Group relating to the vehicle and parts business and consulting and development services. They were billed on arm's length terms. As of July 1, 2010, Porsche Financial Services Great Britain Ltd. no longer handles the new leases with customers or dealership purchase financing. The new business was transferred to Volkswagen Financial Services (UK) Ltd. under a cooperation agreement. In this context, the Group assumes certain residual value risks. Porsche Cars Great Britain Ltd. recognized provisions of EUR 0 million as of December 31, 2021 (December 31, 2020: EUR 2 million and December 31, 2019: EUR 3 million) for these residual value risks.

As part of the transfer of the operating business and, in turn, the transfer of Porsche GmbH by Porsche SE to Volkswagen AG in the year 2012, Porsche SE entered into the following agreements with Volkswagen AG and entities of the Porsche GmbH group in particular:

- Porsche SE holds the Company harmless from tax liabilities (plus interest) and for certain major losses.
- In addition, Porsche SE agreed under certain circumstances to hold the Company and its legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including July 31, 2009 recognized at the level of these entities.
- Porsche SE agreed to hold the Company and its subsidiaries harmless from obligations that go beyond the obligations from periods up until and including December 31, 2011 recognized at the level of these entities. It was also agreed to allocate any subsequent VAT receivables and/or VAT liabilities arising from transactions up to December 31, 2009 between the Company and Porsche SE to the entity concerned.
- Various conduct, cooperation and information duties were agreed between the Company and Porsche SE.
- Volkswagen AG assumed responsibility for general financing for the Company in the same way as it does for other subsidiaries of Volkswagen AG.

Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control, respectively, over Porsche SE. Therefore, relations with individuals and entities of the Porsche and Piëch families are subject to the disclosure requirements. There were no material supply relationships with the Porsche and Piëch families and their affiliated companies in the years ended December 31, 2021, 2020 and 2019.

In addition, Group entities made the following material capital contributions:

In 2021:

- EUR 174 million to Bugatti Rimac d.o.o., Brezje
- EUR 40 million to Cellforce Group GmbH, Tübingen
- EUR 11 million to Smart Press Shop GmbH & Co. KG, Stuttgart
- EUR 6 million to Axel Springer Porsche GmbH & Co. KG, Berlin
- EUR 4 million to MHP Americas, Inc., Atlanta/GA
- EUR 3 million to serva GmbH, Stuttgart
- EUR 2 million to Porsche Motorsport Asia-Pacific Ltd., Shanghai
- EUR 2 million to FlexFactory GmbH, Stuttgart
- EUR 0.6 million to Intelligent Energy System Services GmbH, Ludwigsburg

In 2020:

- EUR 24 million to Porsche Financial Leasing Ltd., Shanghai

- EUR 5 million to Smart Press Shop GmbH & Co. KG, Stuttgart
- EUR 3 million to Axel Springer Porsche GmbH & Co. KG, Berlin
- EUR 2 million to serva GmbH, Stuttgart
- EUR 2 million to New Horizon GmbH, Berlin
- EUR 1 million to Porsche Digital China Ltd., Shanghai
- EUR 0.6 million to FlexFactory GmbH, Stuttgart
- EUR 0.5 million to Porsche Digital Espana, S.L., Barcelona

In 2019:

- EUR 46 million to Porsche Investments GmbH, Stuttgart
- EUR 29 million to Cetitec GmbH, Pforzheim
- EUR 20 million to IONITY Holding GmbH & Co. KG, Munich
- EUR 11 million to Porsche Design Asia Hong Kong Ltd., Hong Kong
- EUR 4 million to Porsche Design Timepieces AG, Solothurn
- EUR 1 million to Porsche Consulting SAS, Asnières-sur-Seine
- EUR 0.5 million to Smart Press Shop GmbH & Co. KG, Stuttgart

In addition, the Company acquired shares in the joint venture Bugatti International Holding S.à.r.l. for EUR 46 million in December of 2021.

In addition, the Company received a capital contribution from Porsche GmbH in 2021 in the amount of EUR 471 million (2020: EUR 1,028 million and 2019: EUR 1,273 million).

As of December 31, 2021, there were also loans to non-consolidated subsidiaries amounting to EUR 89 million (December 31, 2020: EUR 99 million and December 31, 2019: EUR 153 million), to associates amounting to EUR 6 million (December 31, 2020: EUR 1 million and December 31, 2019: —), to joint ventures amounting to EUR 5 million (December 31, 2020: EUR 1 million and December 31, 2019: —) and to Volkswagen Group companies amounting to EUR 2,348 million (December 31, 2020: EUR 249 million and December 31, 2019: EUR 192 million).

The tables below do not include the dividend payments from the joint ventures and associates amounting in 2021 to EUR 0 million (2020: EUR 5 million and 2019: EUR 6 million).

Write-downs of EUR 10 million as of December 31, 2021 (December 31, 2020: EUR 15 million and December 31, 2019: EUR 15 million) were recognized in respect of the outstanding receivables from related parties. Expenses for this purpose in 2021 amounted to EUR 0 million (2020: EUR 7 million and 2019: EUR 1 million). Collateral *in rem* provided by Volkswagen AG group companies was recognized in the total amount of EUR 0 million in as of December 31, 2021 (December 31, 2020: EUR 0 million and December 31, 2019: EUR 0 million). The maximum credit risk for financial guarantees issued to joint ventures amounted to EUR 73 million in as of December 31, 2021 (December 31, 2020: EUR 73 million and December 31, 2019: EUR 73 million).

Furthermore, the Group acted as guarantor for non-consolidated subsidiaries for an amount of EUR 1 million as of December 31, 2021 (December 31, 2020: EUR 1 million and December 31, 2019: EUR 2 million). In addition, there were other obligations not recognized in the consolidated statement of financial position as of December 31, 2021 to Volkswagen AG group companies amounting to EUR 77 million (December 31, 2020: EUR 110 million and December 31, 2019: EUR 92 million), to non-consolidated subsidiaries amounting to EUR 1 million (December 31, 2020: EUR 1 million and December 31, 2019: EUR 7 million), to joint ventures amounting to EUR 0 million (2020: EUR 1 million and 2019: EUR 0 million) and to associates amounting to EUR 121 million (December 31, 2020: EUR 21 million and December 31, 2019: EUR 20 million).

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, *i.e.*, who have the power to participate in the financial and operating policies of the entity, but do not control it, including close family members. In the reporting period, this related to the members of the Executive Board and the Supervisory Board as well as their close family members. Supplies and services rendered and receivables from members of the Executive Board and the Supervisory Board only included services from the vehicle, parts and design business, and other services. The employee representatives appointed to the Supervisory Board continue to be entitled to a normal salary in accordance with their employment contracts. Where members of German works councils are concerned, the salary conforms to the requirements of the German Works Constitution Act (*Betriebsverfassungsgesetz*—BetrVG). The Company has reviewed the total remuneration and currently assumes that it is appropriate, including for the members of the Executive Board.

The supplies and services received from Porsche SE contained amounts of EUR 0 million in 2021 (2020: EUR 0 million and 2019: EUR 0 million) incurred by Group companies for services received in the area of key management personnel.

The benefits and compensation granted to the members of the Executive Board and of the Supervisory Board for their work as members of those bodies are presented after the list of interests and are not included in the following list of supplies and services rendered or received or the list of the receivables and liabilities.

	Supplies and services rendered			Supplies and services received		
Related Party	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
			(EUR million) (audited)			
Porsche and Piëch families	0	0	—	—	0	—
Porsche SE	2	2	3	0	0	0
State of Lower Saxony	0	—	—	—	—	—
Volkswagen Group	4,159	3,813	3,670	4,964	4,718	5,097
Porsche GmbH	368	367	368	0	—	0
Non-consolidated entities	31	17	28	114	95	131
Joint ventures	2	1	1	17	1	0
Associates	6	1	1	106	87	92
Members of the Executive Board and the Supervisory Board of Porsche AG	1	2	2	—	—	0
Members of the Executive Board and the Supervisory Board of Volkswagen AG	—	0	0	—	—	0
Total	**4,569**	**4,203**	**4,073**	**5,201**	**4,901**	**5,320**

	Receivables			Liabilities		
Related Party	**As of December 31, 2021**	**As of December 31, 2020**	**As of December 31, 2019**	**As of December 31, 2021**	**As of December 31, 2020**	**As of December 31, 2019**
			(EUR million) (audited)			
Porsche and Piëch families	0	—	—	—	—	—
Porsche SE	0	0	0	0	0	—
State of Lower Saxony	21	20	—	—	—	—
Volkswagen Group	6,822	5,347	2,914	2,078	904	1,486
Porsche GmbH	10,246	9,961	9,722	2,444	2,465	2,133
Non-consolidated entities	128	114	181	81	74	33
Joint ventures	5	1	—	2	0	—
Associates	38	2	0	91	44	44
Members of the Executive Board and the Supervisory Board of Porsche AG	0	—	0	—	0	1
Members of the Executive Board and the Supervisory Board of Volkswagen AG	—	—	—	—	—	—
Total	**17,260**	**15,445**	**12,817**	**4,696**	**3,487**	**3,697**

In addition, the following benefits and compensation granted to the members of the Executive Board and of the Supervisory Board have been recognized for their work as members of those bodies at the Company:

	2021	2020	2019
		(EUR million) *(audited)*	
Short-term employee benefits	16.6	11.9	18.8
Benefits based on performance shares	6.6	8.8	—
Post-employment benefits	3.4	2.6	2.5
Total	**26.6**	**23.3**	**21.3**

There were balances outstanding as of December 31, 2021 including obligations for short-term and long-term benefits including post-employment benefits as well as for the fair values of the performance shares granted to the Executive Board members amounting to EUR 65.1 million (December 31, 2020 EUR 67.9 million and balances outstanding as of December 31, 2019 including obligations for short-term and long-term benefits including post-employment benefits of EUR 57.6 million). The post-employment benefits concern the additions to pension provisions for service costs relating to active Executive Board members. The chair of the Executive Board, who is also on the Volkswagen Group executive board, was remunerated exclusively by Volkswagen AG in 2021.

14.2.2 Transactions with Related Parties in H1 2021 and H1 2022

As of June 30, 2022, the Company is a subsidiary of Porsche GmbH, Stuttgart. Since August 1, 2012, the Company and its fully consolidated subsidiaries together with Porsche GmbH have been included in the consolidated financial statements of Volkswagen AG based on the control concept.

Porsche SE holds the majority of voting rights in Volkswagen AG.

The creation of rights of appointment for the State of Lower Saxony was resolved at the extraordinary general meeting of Volkswagen AG on December 3, 2009. This means that, even though it holds the majority of voting rights of Volkswagen AG, Porsche SE cannot determine the majority of the members of Volkswagen AG's supervisory board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. The Porsche SE group (Porsche SE in the table below) is therefore classified as a related party as defined by IAS 24.

	Supplies and services rendered		Supplies and services received	
Related Party	**H1 2022**	**H1 2021**	**H1 2022**	**H1 2021**
		(EUR million) *(unaudited)*		
Porsche SE	1	1	0	0
State of Lower Saxony	0	0	—	—
Volkswagen Group	2,254	1,972	2,849	2,509
Porsche GmbH	190	183	0	—
Non-consolidated entities	38	12	96	45
Joint ventures	1	1	15	4
Associates	2	1	43	35
Total	2,486	2,170	3,003	2,593

	Receivables		Liabilities	
Related Party	**H1 2022**	**H1 2021**	**H1 2022**	**H1 2021**
		(EUR million) *(unaudited)*		
Porsche SE	0	0	0	0
State of Lower Saxony	28	21	—	—
Volkswagen Group	5,067	6,822	3,403	2,078
Porsche GmbH	10,393	10,246	12,519	2,444
Non-consolidated entities	298	128	130	81
Joint ventures	46	5	3	2
Associates	46	38	110	91
Total	15,878	17,260	16,165	4,696

Receivables from the Volkswagen AG Group largely relate to loans granted of EUR 474 million as of June 30, 2022 (December 31, 2021: EUR 2,348 million) as well as trade receivables of EUR 344 million as of June 30, 2022 (December 31, 2021: EUR 493 million). Receivables from non-consolidated subsidiaries also primarily result from loans granted of EUR 248 million as of June 30, 2022 (December 31, 2021: EUR 89 million) as well as from trade of EUR 22 million as of June 30, 2022 (December 31, 2021: EUR 12 million).

There is a master loan agreement with the Volkswagen Group for a line of EUR 4,000 million (amount drawn as of June 30, 2022: EUR 0 million; December 31, 2021: EUR 0 million).

Transactions with related parties are regularly conducted at arm's length.

With the conclusion of the notarized deed of the spin-off resolutions, liabilities from distributions in kind have been recognized at the carrying amount of the assets being spun off (EUR 11,881 million as of June 30, 2022) due to Porsche GmbH. See also "*14.3 Pre-IPO Spin-Off*".

Write-downs of EUR 10 million in H1 2022 (H1 2021: EUR 10 million) were recognized in respect of the outstanding receivables from related parties. Expenses for this purpose in H1 2022 amounted to EUR 0 million (H1 2021: EUR 0 million).

The maximum credit risk for financial guarantees issued to joint ventures amounted to EUR 73 million as of June 30, 2022 (December 31, 2021: EUR 73 million). In H1 2022 the Group made capital contributions at related parties of EUR 227 million (H1 2021: EUR 11 million).

Furthermore, the Company received a capital contribution of EUR 257 million from Porsche GmbH in the first six months of 2022. In the first six months of 2021, the capital contribution from Porsche GmbH amounted to EUR 254 million.

14.3 Pre-IPO Spin-Off

By way of a spin-off according to Section 123 German Transformation Act (*Umwandlungsgesetz*; "**UmwG**"), the Company transferred to Porsche Niederlassung Mannheim GmbH, a subsidiary of the Company, (i) loan receivables due from Porsche GmbH which amounted to EUR 8,144,151,599 with accrued interest of EUR 30,540,569 as of December 31, 2021, (ii) a receivable from a current account of the Company against Porsche GmbH amounting to EUR 2,028,835,983 as of December 31, 2021 and (iii) a cash equivalent position against Volkswagen AG amounting to EUR 1,500,000,000 with economic effect as of January 1, 2022. This first spin-off ("**Spin-Off 1**") became effective as of July 6, 2022 upon entry in the commercial register. By way of a spin-off according to Section 123 German Transformation Act (UmwG), the Company transferred all shares held by the Company in Porsche Niederlassung Mannheim GmbH to Memphis I GmbH, a subsidiary of Porsche GmbH with economic effect as of January 1, 2022. This second spin-off ("**Spin-Off 2**", and together with Spin-Off 1, the "**Pre-IPO Spin-Off**") became effective as of July 11, 2022 upon entry in the commercial register. For further information regarding the Pre-IPO Spin-Off, see "*8 Capitalization, Indebtedness and Statement on Working Capital*".

15 SHAREHOLDER INFORMATION

15.1 Current Shareholders

As of the date of this Prospectus, Volkswagen AG through Porsche Holding Stuttgart GmbH, a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with registered office in Stuttgart, Germany, and registered business address (*Geschäftsanschrift*) at Porscheplatz 1, 70435 Stuttgart, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, under HRB 739339 ("**Porsche GmbH**" or the "**Selling Shareholder**"), holds 100% of the Company's ordinary bearer shares with no par value (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) (the "**Ordinary Shares**"), representing 50% of the Company's entire issued share capital, and 100% of the Company's non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) (the "**Preferred Shares**"), representing 50% of the Company's entire issued share capital (see for details "*17.1 Current Share Capital and Shares*").

The Offering will consist only of 99,021,740 Base Shares, *i.e.*, 99,021,740 Preferred Shares from the holdings of the Selling Shareholder, and 14,853,260 Over-Allotment Shares, *i.e.,* 14,853,260 Preferred Shares from the holdings of the Selling Shareholder in connection with a potential over-allotment (see "*2.2 Purpose of this Prospectus*"). The Offering will not consist of any Ordinary Shares. For details regarding the Offering, see "*3 The Offering*".

On September 18, 2022, Volkswagen AG, Porsche GmbH and Porsche SE entered into a share purchase agreement (*Aktienkaufvertrag*) (the "**Share Purchase Agreement**"), pursuant to which Volkswagen AG agreed to the sale of 25% of the Ordinary Shares plus one Ordinary Share held by Porsche GmbH ("**Sell Shares**") to Porsche SE at the Offer Price of the Offer Shares, *i.e.*, the Base Shares together with the Over-Allotment Shares (see "*2.2 Purpose of this Prospectus*"), plus a premium of 7.5%, subject to completion of the Offering.

The transfer of the Sell Shares shall be executed in two tranches. Pursuant to the terms of the Share Purchase Agreement, Volkswagen AG agreed to ensure: (i) the transfer of 17.5% of the Ordinary Shares plus one Ordinary Share held by Porsche GmbH at the time at which the book-entry delivery of the Offer Shares against payment of the Offer Price takes place (the "**Closing of the Offering**") subject to payment of the purchase price ("**First Tranche**"); and (ii) the transfer of a further 7.5% of the Ordinary Shares held by Porsche GmbH on the day on which Volkswagen AG has paid a special dividend to its shareholders in the event of a successful Offering amounting to 49% of the total gross proceeds Volkswagen AG (indirectly) receives from the placement of the Offer Shares and the sale of the Sell Shares ("**Special Dividend**" (*Sonderdividende*)) ("**Second Tranche**"). With regard to the Second Tranche, the Share Purchase Agreement provides for two alternative execution scenarios in which Porsche SE may already demand the transfer of the Second Tranche even before the due date of the purchase price for said Second Tranche (for details see "*15.2 Share Purchase Agreement and Shareholders' Agreement*").

The following table sets out the direct shareholdings in the Company's Preferred Shares as of the date of this Prospectus and following completion of the Offering, divided into Preferred Shares held by Porsche GmbH and Preferred Shares held by the public:

	Ownership in the Company's Preferred Shares		
	As of the date of this Prospectus	Upon completion of the Offering	
Direct Shareholder		Assuming placement of all Base Shares, but no placement of Over-Allotment Shares and no exercise of the Greenshoe Option	Assuming placement of all Base Shares and all Over-Allotment Shares (full exercise of the Greenshoe Option)
		(in %)	
Porsche GmbH	100.00	78.26	75.00
Free float[1]	—	16.75	20.01
QIA	—	4.99	4.99
Total	**100.00**	**100.00**	**100.00**

Note:

(1) Calculated based on shareholdings in the Company's Preferred Shares of less than 3%.

The following table sets out the direct and indirect shareholdings in the Company's Ordinary Shares in accordance with the notification obligations pursuant to Section 33 *et seq*. of the German Securities Trading Act (*Wertpapierhandelsgesetz*; "**WpHG**") (see for details "*17.9 Shareholder and Company Notification*

Requirements") as of the date of this Prospectus, following the transfer of the First Tranche under the SPA and following the transfer of the Second Tranche under the SPA (see below, "*15.2 Share Purchase Agreement and Shareholders' Agreement*"):

	Ownership in the Company's Ordinary Shares and attributed voting rights attached to such shares		
Direct and indirect Shareholder	**As of the date of this Prospectus**	**After transfer of the First Tranche**	**After transfer of the Second Tranche**
		(in %)	
Porsche GmbH (directly held)	100.00	82.50 minus one Ordinary Share	75.00 minus one Ordinary Share
indirectly (via Porsche GmbH):			
Volkswagen AG	100.00(1)	82.50 minus one Ordinary Share(2)	75.00 minus one Ordinary Share(2)
Porsche SE	100.00(1)	82.50 minus one Ordinary Share(3)	75.00 minus one Ordinary Share(3)
Porsche SE (directly held)	100.00(1)	17.50 plus one Ordinary Share	25.00 plus one Ordinary Share
indirectly (via Porsche SE):			
Familie Porsche Beteiligung GmbH	100.00(4)	100.00(5)	100.00(5)
Porsche Gesellschaft mit beschränkter Haftung	100.00(4)	100.00(5)	100.00(5)
Ahorner GmbH	100.00(4)	100.00(5)	100.00(5)
HMP Vermögens-verwaltung GmbH	100.00(4)	100.00(5)	100.00(5)
Ferdinand Porsche Familien-Holding GmbH	100.00(4)	100.00(5)	100.00(5)
Familie WP Holding GmbH	100.00(4)	100.00(5)	100.00(5)
Ferdinand Porsche Familien-Privatstiftung	100.00(4)	100.00(5)	100.00(5)
Porsche Piech Holding GmbH	100.00(4)	100.00(5)	100.00(5)
Ferdinand Alexander Porsche GmbH	100.00(4)	100.00(5)	100.00(5)
Ahorner Holding GmbH	100.00(4)	100.00(5)	100.00(5)
Porsche Gesellschaft m.b.H.	100.00(4)	100.00(5)	100.00(5)
Mag. Josef Ahorner	100.00(4)	100.00(5)	100.00(5)
Hans Michel Piech	100.00(4)	100.00(5)	100.00(5)
Dr. Hans Michel Piech GmbH	100.00(4)	100.00(5)	100.00(5)
Dr. Wolfgang Porsche	100.00(4)	100.00(5)	100.00(5)
Dr. Dr. Christian Porsche	100.00(4)	100.00(5)	100.00(5)
Dipl.-Design. Stephanie Porsche-Schröder	100.00(4)	100.00(5)	100.00(5)
Ferdinand Rudolf Wolfgang Porsche	100.00(4)	100.00(5)	100.00(5)
Felix Alexander Porsche	100.00(4)	100.00(5)	100.00(5)
Gerhard Anton Porsche	100.00(4)	100.00(5)	100.00(5)
Dr. Ferdinand Oliver Porsche	100.00(4)	100.00(5)	100.00(5)
Mag. Mark Philipp Porsche	100.00(4)	100.00(5)	100.00(5)
Kai Alexander Porsche	100.00(4)	100.00(5)	100.00(5)
Dr. Geraldine Porsche	100.00(4)	100.00(5)	100.00(5)
Ing. Hans-Peter Porsche	100.00(4)	100.00(5)	100.00(5)
Peter Daniell Porsche	100.00(4)	100.00(5)	100.00(5)
Dr. Louise Kiesling	100.00(4)	100.00(5)	100.00(5)
Diana Porsche	100.00(4)	100.00(5)	100.00(5)
Total	**100.00**	**100.00**	**100.00**

Notes:

(1) Subject to notification obligations due to the fact that the Company's Ordinary Shares held directly by Porsche GmbH in the Company are deemed to be held by Volkswagen AG, respectively by Porsche SE via Volkswagen AG, in accordance with Sections 20 paras. 1 and 4, 16 para. 4 of the AktG.

(2) Subject to notification obligations (see for details "*17.9 Shareholder and Company Notification Requirements*") due to the attribution of the voting rights attached to the Company's Ordinary Shares held directly by Porsche GmbH in the Company in accordance with Section 34 para. 1 sentence 1 no. 1, 35 para. 1 no. 1 of the WpHG.

(3) Subject to notification obligations (see for details "*17.9 Shareholder and Company Notification Requirements*") due to the attribution of the voting rights attached to the Company's Ordinary Shares held indirectly by Volkswagen AG in the Company in accordance with Section 34 para. 1 sentence 1 no. 1, 35 para. 1 no. 1 of the WpHG.

(4) Subject to notification obligations due to the fact that the Company's Ordinary Shares held indirectly by Porsche SE in the Company are deemed to be held by Familie Porsche Beteiligung GmbH, Porsche Gesellschaft mit beschränkter Haftung, Ahorner GmbH, HMP Vermögensverwaltung GmbH, Ferdinand Porsche Familien-Holding GmbH, Familie WP Holding GmbH, Ferdinand Porsche Familien-Privatstiftung, Porsche Piëch Holding GmbH, Ferdinand Alexander Porsche GmbH, Ahorner Holding GmbH, Porsche Gesellschaft m.b.H., Mag. Josef Ahorner, Hans Michel Piech, Dr. Hans Michel Piech GmbH, Dr. Wolfgang Porsche, Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche, Gerhard Anton Porsche, Dr. Ferdinand Oliver Porsche, Mag. Mark Philipp Porsche, Kai Alexander Porsche, Dr. Geraldine Porsche, Ing. Hans-Peter Porsche, Peter Daniell Porsche, Dr. Louise Kiesling and Diana Porsche in accordance with Sections 20 paras. 1 and 4, 16 para. 4 of the AktG.

(5) Subject to notification obligations (see for details "*17.9 Shareholder and Company Notification Requirements*") due to the attribution of the voting rights attached to the Company's Ordinary Shares held directly by Porsche SE in the Company in accordance with Section 34 para. 1 sentence 1 no. 1, 35 para. 1 no. 1 of the WpHG.

15.2 Share Purchase Agreement and Shareholders' Agreement

Since September 18, 2022, Volkswagen AG, Porsche GmbH, and Porsche SE are parties to the Share Purchase Agreement, pursuant to which Porsche GmbH sold the Sell Shares to Porsche SE at the Offer Price of the Offer Shares plus a premium of 7.5% (for details see "*15.1 Current Shareholders*").

The Share Purchase Agreement essentially contains provisions on the purchase price, conditions for the transfer of the Sell Shares and its execution, a limited catalogue of warranties as well as limitations of liability.

Pursuant to the Share Purchase Agreement, the transfer of the Sell Shares shall be executed in two tranches: (i) The First Tranche (17.5% of the Ordinary Shares plus one Ordinary Share held by Porsche GmbH) shall be transferred at the Closing of the Offering subject to payment of the purchase price, whereas (ii) the Second Tranche (a further 7.5% of the Ordinary Shares held by Porsche GmbH) shall be transferred on the day on which Volkswagen AG has paid the Special Dividend to its shareholders (as already described in "*15.1 Current Shareholders*"). With regard to the Second Tranche, the Share Purchase Agreement further provides for two alternative execution scenarios: Porsche SE may already demand the transfer of the Second Tranche even before the due date of the purchase price for said Second Tranche, either (i) on December 30, 2022 against the granting of a first-rank pledge on the Sell Shares of the Second Tranche in favour of Porsche GmbH in order to secure Porsche GmbH's claim as to the payment of the purchase price for the Second Tranche, or (ii) at any time after the completion of the transfer of the First Tranche of Sell Shares concurrently (*Zug-um-Zug*) against payment of the purchase price for the Second Tranche. Given these different execution options, the Share Purchase Agreement stipulates different purchase price due dates, set-off options, closing conditions and closing actions for the two tranches.

In the event of either Porsche SE not paying the purchase price despite the due date or Porsche GmbH not taking one of the executive actions owed despite a proper offering of payment of the purchase price by Porsche SE, Porsche GmbH and Porsche SE have a mutual right of withdrawal under the Share Purchase Agreement.

Under the liability concept applied in the Share Purchase Agreement, Porsche GmbH only assumes fundamental warranties regarding the existence of Porsche GmbH and Porsche AG as well as its authorization to dispose of the Sell Shares, while Volkswagen AG assumes a limited catalogue of "operational" warranties as of the signing of the Share Purchase Agreement. On the one hand, Volkswagen AG warrants, irrespective of knowledge, (i) that the information contained in this Prospectus which is essential for the assessment of the Offer Shares within the meaning of Section 9 para. 1 sentence 1 WpPG is not incorrect or incomplete upon signing of the Share Purchase Agreement ("**Prospectus Warranty**"), (ii) that the information essential to the assessment of the Sell Shares has been made available to Porsche SE and its advisors and that this information is not incorrect or incomplete in accordance with Section 9 para. 1 sentence 1 WpPG and (iii) the absence of open or hidden profit distributions to the Volkswagen AG Group (with certain exceptions) and other value outflows to the Volkswagen AG Group at signing of the Share Purchase Agreement as well as at the time of the respective execution days. On the other hand, Volkswagen AG assumes warranties limited to positive knowledge of certain of its current executive board members and of a limited number of additional so-called knowledge bearers which are specified by name (having duly inquired with certain listed persons) for (i) the accuracy of the annual and consolidated financial statements of Porsche AG as of and for the year ended December 31, 2021, (ii) the conduct of Porsche AG's business in the ordinary course since January of 2022, (iii) the disclosure of legal disputes threatened in writing or pending against Porsche AG with an amount in dispute of more than EUR 10 million, and for (iv) the conduct of business of the Porsche AG Group in the last three years prior to the signing of the Share Purchase Agreement essentially in compliance with the relevant non-tax laws and regulations mandatorily applicable to Porsche AG itself or other entities of the Porsche AG Group and without serious breach of official approvals and permits essential for Porsche AG's business operations.

In the event of a breach of any of the warranties assumed under the Share Purchase Agreement, Porsche GmbH or Volkswagen AG, as the case may be, shall be given the opportunity to restore, within a period of three months, the condition which Porsche SE would be in without the relevant breach of warranty (*Naturalrestitution*). Otherwise, damages in the amount of the actual loss suffered by Porsche SE as a result of the relevant breach of warranty are to be paid. In the event the Prospectus Warranty has been breached, Porsche SE has the right to choose between (a) demanding the return of the acquired Sell Shares against reimbursement of the purchase price for the First Tranche and—to the extent already paid—the purchase price for the Second Tranche in corresponding application of Section 9 para. 1 sentence 1 WpPG, or (b) demanding compensation for the financial loss incurred by Porsche SE. The financial loss incurred by Porsche SE shall be calculated solely based on the amount by which the Offer Price of the Offer Shares would have been reduced if the Prospectus had been accurate and complete, plus a premium of 7.5% on such price difference. If Volkswagen AG is in breach of any of its other warranties, Porsche SE may calculate its loss on the basis of the damage incurred at the level of the Porsche AG Group in the amount of Porsche SE's direct shareholding in Porsche AG's share capital.

Under the terms of the Share Purchase Agreement, Porsche SE may not claim any damages resulting from a warranty breach if certain of its executive board members have had documented positive knowledge of the incorrectness of the respective warranty. For that purpose, the information made available to Porsche SE in the course of its due diligence prior to the signing of the Share Purchase Agreement shall be deemed to be known to the executive board members of Porsche SE (with limited exceptions).

Porsche SE may only assert claims against Volkswagen AG under the Share Purchase Agreement if the aggregate amount of all claims asserted exceeds EUR 75 million. Such threshold does, in principle, not apply in case of a breach of, *inter alia*, the Prospectus Warranty. The liability of Volkswagen AG is further limited to a maximum amount of 15% of the entire purchase price, except for, *inter alia*, claims resulting from a breach of the Prospectus Warranty.

With regard to the limitation period for the fundamental warranties of Porsche GmbH, a period of five years after the closing of the transfer of the Second Tranche applies, while for all warranties given by Volkswagen AG, a period of eighteen months after the respective closing date applies. In the event of a breach of the Prospectus Warranty, Volkswagen AG may not raise the defense of limitation if Porsche GmbH, Porsche AG or Volkswagen AG are held liable by buyers of the Offer Shares under Section 9 WpPG for the incorrectness or incompleteness of the information in the IPO prospectus within the statutory limitation period.

Lastly, the Share Purchase Agreement shall automatically terminate in the event that the IPO is not successfully completed within ten days after the end of the bookbuilding process for the IPO.

Volkswagen AG, Porsche GmbH, and Porsche SE are parties to a shareholders' agreement dated September 18, 2022 (the "**Shareholders' Agreement**") and effective partly upon signing and partly upon acquisition of the Sell Shares of the First Tranche. The Shareholders' Agreement provides for further details of the joint participation of the parties to the Shareholders' Agreement in the ordinary share capital of the Company after the Closing of the Offering. The Shareholders' Agreement contains in particular provisions regarding the collaboration between the parties thereto, the future corporate governance of the Company, the financing and cash pooling, the industrial and general cooperations between the Company and Volkswagen AG and basic principles for the remuneration system of the Company's executive board ("**Executive Board**" (*Vorstand*)) members.

Pursuant to the Shareholders' Agreement, Volkswagen AG and Porsche SE act jointly to use their influence to have representatives of Volkswagen AG and Porsche SE appointed as shareholders' representatives to the Company's supervisory board ("**Supervisory Board**" (*Aufsichtsrat*)), which consists of 20 members of which 10 members are elected by the Company's general meeting ("**General Meeting**" (*Hauptversammlung*)) and represent the shareholders and 10 members are elected in accordance with the German Co-Determination Act and represent the employees (for details see "*18.3 Supervisory Board*").

The future governance of the Company will be as follows: the shareholder representatives on the Supervisory Board will consist of five representatives of Volkswagen AG, three representatives of Porsche SE and two independent members. For a period of two terms of five years each, the chairperson of the supervisory board of Volkswagen AG will be one of the representatives on the Supervisory Board of the Company proposed by Volkswagen AG. Volkswagen AG reserves the right to propose at any time to the Company's General Meeting the election of a third member of the Supervisory Board who meets the independence criteria of the German Corporate Governance Code.

Dr. Wolfgang Porsche or, in the event of his early retirement, a suitable successor as a name bearer of the Porsche family with several years of experience in governing bodies (*Gremien*), shall be elected as chairperson of the Supervisory Board for a period of two terms of five years each. In case a name bearer is not available, Porsche SE has the right, to nominate another member of the families holding ordinary shares in Porsche SE with several years of experience in governing bodies as the chairperson of the Supervisory Board. In this case, Volkswagen AG is entitled to reject the successor candidate if the successor candidate is not acceptable for objectively comprehensible reasons; if the Parties cannot agree on whether the successor candidate is acceptable, they will enter into discussions with the aim of finding an amicable solution. If a member of the families holding ordinary shares in Porsche SE is also not available, Porsche SE shall be entitled to propose a third party as a successor candidate to Volkswagen AG; Volkswagen AG shall decide on the approval of this successor candidate at its due discretion.

In the Shareholders' Agreement the parties have also agreed on certain matters and transactions of the Company and its dependent companies (*abhängige Unternehmen*) that require the approval of the Supervisory Board prior to implementation by the Executive Board. These matters and transactions shall be implemented in the internal rules of procedure for the Executive Board. The catalogue of matters which are subject to the Supervisory Board's approval include, *inter alia*, matters that concern production facilities or companies that employ or are scheduled to employ more than 500 employees, the annual business and financial planning, taking financing outside the normal course of business, real estate transactions, appointment of representatives for the entire business, related parties transactions outside the normal course of business and other material matters.

With regard to all decisions of the Supervisory Board that have a significant impact on the return of the Company, namely decisions on: (i) the approval of the planning round; (ii) appointments and dismissals of the Executive Board (including the individual remuneration of the Executive Board member); (iii) transactions with a value of more than EUR 150 million; (iv) financial transactions with a value of more than EUR 200 million; and (v) the significant readjustment of the Company's business activities, the shareholder representatives on the Supervisory Board of the Company shall conduct a preliminary vote with the aim of ensuring a unanimous vote of the shareholder representatives on the resolution in the Supervisory Board. In the event that the shareholder representatives could not agree on a unanimous vote in this preliminary vote, the voting of the shareholder representatives in the adoption of resolutions in the Supervisory Board is based on the majority vote of the shareholder representatives in the preliminary vote.

The parties to the Shareholders' Agreement have agreed to include several matters for resolution of the General Meeting which require a majority of 75% of the Company's share capital when the resolution is passed (for details see "*18.5 General Meeting*"). Furthermore, they have agreed that at least 30% of the Group's consolidated profit after tax attributable to the shareholders of the Company according to IFRS should be distributed to shareholders in a regular manner. This also applies if transfers or withdrawals from the Company's capital reserves (*Kapitalrücklagen*) or retained earnings (*Gewinnrücklagen*) have to be made in order to reach the 30% quota.

The parties to the Shareholders' Agreement have agreed to a lock-up period, according to which Volkswagen AG and Porsche GmbH are only entitled to sell or transfer directly or indirectly held Ordinary Shares in the Company to a purchaser other than Volkswagen AG or a direct, non-operational subsidiary of Volkswagen AG, *i.e.*, an entity, having its office in a member state of the European Union, the European Economic Area or the United Kingdom, whose entire share capital/interests (*i.e.*, 100%) is/are held directly by Volkswagen AG, with the prior consent of Porsche SE for a period of five years following the First Trading Day.

The parties to the Shareholders' Agreement have also agreed to a lock-up period, according to which Porsche SE is only entitled to sell or transfer directly or indirectly held Ordinary Shares in the Company to a purchaser other than Porsche SE or a direct, non-operational subsidiary of Porsche SE, *i.e.*, an entity, having its office in a member state of the European Union, the European Economic Area or the United Kingdom, whose entire share capital/interests (*i.e.*, 100%) is/are held directly by Porsche SE, with the prior consent of Volkswagen AG for a period of five years following the First Trading Day.

The Shareholders' Agreement contains a right of first refusal for Porsche SE in relation to the Ordinary Shares of the Company (indirectly) held by Volkswagen AG.

For Volkswagen AG, the Shareholders' Agreement contains a right of first refusal as well as a right of first offer in relation to the Ordinary Shares of the Company (directly or indirectly) held by Porsche SE.

In the Shareholders' Agreement the parties have further agreed that the internal rules of procedure for the Executive Board shall provide for a right of information for the Supervisory Board regarding essential information which are exchanged between the Company and Volkswagen AG based on the Relationship Agreement and the Industrial Cooperation Agreement and which will likely be subject to supervisory board discussion. Such information shall be made available to the Supervisory Board in sufficient time to comment on and discuss it with the Executive Board and to counsel, review and decide on it. In case the information concerns a matter for which the approval of the Supervisory Board is required, the information shall generally be made available to the Supervisory Board four weeks prior to the decision of the Supervisory Board.

Following the Closing of the Offering, the Company shall have its own group financing (*Konzernfinanzierung*). Furthermore, the Company shall remain in the cash pool of Volkswagen AG. Loans under the cash pool are granted and drawn at arm's length terms, and an appropriate information, early warning and response system is implemented and maintained at all times for the benefit of the Company (see "*14.1.1 Relationship Agreement between the Company and Volkswagen AG*").

The Shareholders' Agreement has a minimum term of 15 years and shall be renewed for subsequent six-year periods unless it is terminated with a notice period of six months. If the Shareholders' Agreement is terminated after the expiry of the minimum term of 15 years, the parties shall negotiate an extension agreement taking into account the then existing ownership structure.

The Shareholders' Agreement may be terminated for good cause (*wichtiger Grund*), such good cause being for example significant changes in the ownership structure in relation to the Company's Ordinary Shares.

15.3 Control

As of the date of this Prospectus, Volkswagen AG through Porsche GmbH holds 100% of the Company's Ordinary Shares, representing 50% of the Company's entire issued share capital, and 100% of the Company's Preferred Shares, representing 50% of the Company's entire issued share capital. Volkswagen AG and Porsche GmbH entered into a domination and profit and loss transfer agreement in 2013, which was registered with the competent commercial register on July 17, 2013 and will remain unaffected by the Offering. Besides, there is a Porsche DA as well as a Porsche PLTA between Porsche GmbH and the Company in place, which will terminate at the end of the year ending on December 31, 2022 (see for details "*14.1.5 Termination of Domination Agreement and Profit and Loss Transfer Agreement with Porsche GmbH*").

As of the date of this Prospectus and following the completion of the Offering, Volkswagen AG continues to hold indirectly more than 50% of the voting rights in the Company and, therefore, is considered to hold an indirect controlling influence (*beherrschenden Einfluss*) in the Company. The Offering will only consist of Preferred Shares (see "*3 The Offering*") and, thus, have no effect on the voting rights in the Company.

Following completion of the payment of the Special Dividend and the transfer of a further 7.5% of Ordinary Shares by Volkswagen AG to Porsche SE, Volkswagen AG will hold through Porsche GmbH 75% of the Ordinary Shares minus one Ordinary Share and Porsche SE will hold 25% of the Ordinary Shares plus one Ordinary Share. Therefore, Volkswagen AG would continue to be considered to hold an indirect controlling influence (*beherrschenden Einfluss*) in the Company.

As Porsche SE holds the majority of ordinary shares in Volkswagen AG, the voting rights attached to 75% of the Ordinary Shares minus one Ordinary Share held indirectly by Volkswagen AG will—after the Admission to Trading and the transfer of the Second Tranche—be attributed to Porsche SE pursuant to Section 30 para. 1 sentence 1 no. 1 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz;* "**WpÜG**") in conjunction with Section 290 para. 2 no. 1 HGB. Therefore, together with the voting rights attached to the directly held 25% of the Ordinary Shares plus one Ordinary Share by Porsche SE, Porsche SE will be considered to hold a sum of 100% of the voting rights in the Company, which qualifies as control (*Kontrolle*) under Section 29 para. 2 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). Pursuant to a consortium agreement, the members of the families holding ordinary shares in Porsche SE have direct and indirect control, respectively, over Porsche SE. The voting rights attached to the Company's Ordinary Shares and attributed to Porsche SE—as described before—will therefore after the Admission to Trading be attributed to the members of the families holding ordinary shares in Porsche SE accordingly.

16 GENERAL INFORMATION ON THE GROUP

16.1 Establishment, Formation, History and Share Capital

On July 15, 2009, the Company was founded under the business name "Porsche Fünfte Vermögensverwaltung AG". It was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, under HRB 730623, on July 23, 2009.

On November 25, 2009, the General Meeting of the Company resolved to change the name of the Company to its current name, "Dr. Ing. h.c. F. Porsche Aktiengesellschaft".

On the same day, the Company concluded a post-formation and hive-down and transfer agreement (*Ausgliederungs- und Übernahmevertrag*) with a predecessor of the Selling Shareholder, Porsche Zwischenholding GmbH, by which Porsche Zwischenholding GmbH hived down the part of its assets belonging to the Porsche business operations as a whole and which became effective on November 30, 2009, by registration in the Company's commercial register (*Handelsregister*).

As of the date of this Prospectus, the share capital of the Company amounts to EUR 911,000,000 and is divided into 455,500,000 Ordinary Shares and 455,500,000 Preferred Shares. Each share of the Company represents a notional share of EUR 1.00 in the Company's share capital. All shares of the Company are fully paid up.

For details regarding the Company's share capital see "*17.1 Current Share Capital and Shares*" and for details regarding measures affecting the Company's share capital since its establishment until the date of this Prospectus see "*17.2 Development of the Share Capital*".

16.2 Commercial Name and Registered Office (Sitz)

The Company is a stock corporation (*Aktiengesellschaft)* under the laws of Germany having its registered office and its headquarters in Stuttgart, Germany. The legal name of the Company is "Dr. Ing. h.c. F. Porsche Aktiengesellschaft". It is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, under number HRB 730623. The Company's LEI is 529900EWEX125AULXI58.

The Company is the Group's parent company. The Company and the Group operate under the commercial name "Porsche".

16.3 Financial Year and Duration

The Company's financial year ends on December 31, of each calendar year. The Company was established for an unlimited period of time.

16.4 Object of the Company

According to the Articles of Association, the corporate object of the Company is:

- the manufacture and distribution of vehicles and engines of all kinds including air- and watercraft vehicles as well as parts, assemblies and accessories for such and other technical products;
- the performance of development work and constructions, particularly in the field of vehicle and engine construction;
- consulting in the field of development and production, particularly in relation to vehicle and engine construction;
- other consulting services, including management and IT consulting as well as services in the area of business and information technology as well as the creation and the distribution of data processing products;
- the development and provision of mobility and transport services and concepts, including the establishment and operation of charging infrastructure for all types of electrically powered vehicles;
- activities in the field of banking and insurance, the provision of financial and payment services as well as insurance brokering insurance brokerage;
- the marketing of goods using trademark rights, in particular those with the component "Porsche"; and
- all other activities that technically or economically are related thereto, including the exploitation of industrial property rights.

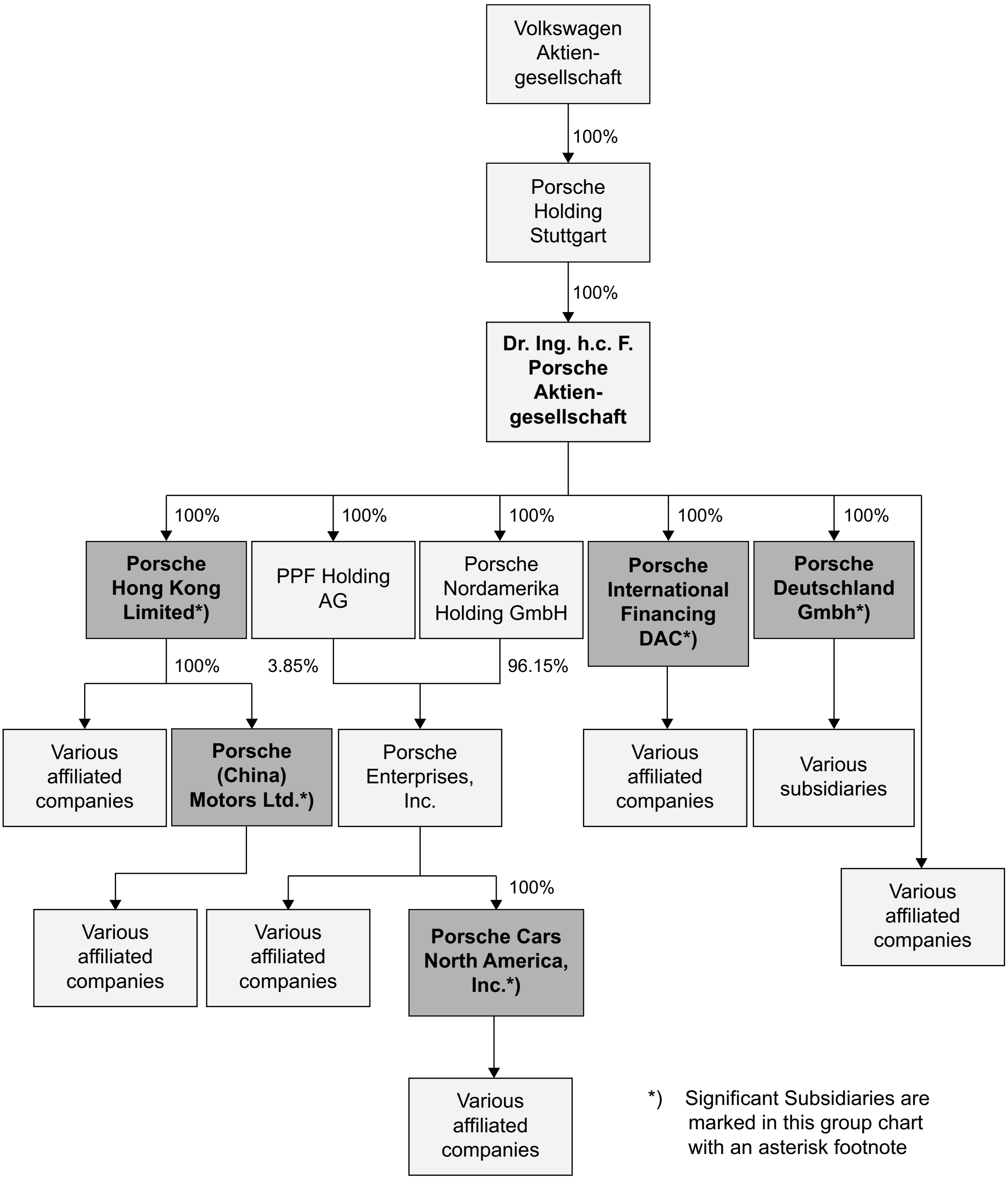
The Company is entitled to engage in all transactions and take all measures which appear to be directly or indirectly necessary, suitable or useful for achieving or realizing its corporate object. To this end, it may, in particular, establish branches in Germany and abroad, as well as found, acquire or participate in companies, sell companies or interests in companies, conclude intercompany agreements, and structurally change or combine companies in which it holds an interest under uniform management.

The Company may limit its activities to a part of the aforementioned activities. The Company may also pursue its corporate object in whole or in part through affiliated companies within the meaning of sections 15 et seq. AktG and associated companies (including joint ventures) and limit itself to the management of its shareholdings.

The Company may not itself directly carry out banking or insurance transactions or financial or payment services requiring a license, but may only do so through affiliated companies within the meaning of Sections 15 et seq. AktG and associated companies.

16.5 Group Structure

The following diagram sets forth the Company's shareholders and its significant direct and indirect subsidiaries as well as a summary (in simplified form) of its direct and indirect shareholdings as of the date of this Prospectus. The shareholdings presented also include shareholdings in selected affiliated companies pursuant to Sections 15 *et seq.* AktG.



16.6 Significant Subsidiaries

The following table presents an overview of the Company's significant direct and indirect subsidiaries as of the date of this Prospectus.

Business name	Seat	Direct and/or indirect Interest
Porsche Deutschland GmbH	Bietigheim-Bissingen, Germany	100%
Porsche International Financing DAC	Dublin, Ireland	100%
Porsche Cars North America, Inc.	Atlanta, United States	100%
Porsche (China) Motors Ltd.	Shanghai, China	100%
Porsche Hong Kong Ltd.	Hong Kong	100%

16.7 Auditors

The Company has appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**"), Friedrichstraße 14, 70174 Stuttgart, Germany as auditor of the German-language consolidated financial statements of the Company as of and for the year ended December 31, 2019, prepared in accordance with IFRS.

The Company has appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Flughafenstraße 61, 70629 Stuttgart, Germany, ("**EY**") as auditor of: (i) the German-language consolidated financial statements of the Company as of and for the years ended December 31, 2020 and December 31, 2021, prepared in accordance with IFRS; and (ii) the German-language annual financial statements of the Company as of and for the year ended December 31, 2021 prepared in accordance with German generally accepted accounting principles of the HGB.

PwC and EY are members of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

The decision to change auditors from PwC to EY in 2020 resulted from the corresponding change of auditors by Volkswagen AG at the same time in order to have the same auditors engaged within the Volkswagen Group.

16.8 Independent Auditor's Reports and Emphasis of Matters

PwC audited the German-language consolidated financial statements as of and for the year ended December 31, 2019, included in the Prospectus in accordance with Section 317 HGB and German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*, "**IDW**") and issued a German-language unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon. The independent auditor's report with respect to the consolidated financial statements as of and for the year ended December 31, 2019, contains the following emphasis of matter paragraph referring to the "emissions issue":

"*We draw attention to the information provided in the section "Litigation" of the notes to the consolidated financial statements with regard to the diesel issue and other litigation.*

The provisions for warranties and legal risks recorded so far are based on the presented state of knowledge. Due to the inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Our audit opinion on the consolidated financial statements is not modified in respect of this matter."

The section "Litigation" of the notes to the consolidated financial statements as of and for the year ended December 31, 2019, to which the above excerpt of the independent auditor's report with respect to the consolidated financial statements as of and for the year ended December 31, 2019 refers to, states:

[37] LITIGATION

In the course of their operating activities, Porsche AG and the companies in which it holds direct or indirect interests are involved in a large number of legal disputes and official proceedings, both in Germany and abroad. These legal disputes and proceedings relate among other things to employees, dealers, investors, customers or suppliers, or to the competent authorities. They may lead to payment or other obligations for the companies involved. In particular, substantial compensation or punitive damages may have to be paid and cost-intensive measures may be necessary. It is often only possible to a limited extent to specifically quantify the effects of an objective threat, if at all.

In addition, risks may arise in respect of compliance with regulatory requirements. This applies in particular to regulatory gray areas, where Porsche AG or the companies in which it holds direct or indirect interests may make interpretations that differ from those of the competent authorities. Legal risks may also arise due to the criminal actions of individuals, which even the best compliance management system can never fully rule out.

Where doing so was manageable and economically feasible, adequate insurance cover was taken out to cover these risks. For risks that could be identified and measured, appropriate provisions were recognized or disclosures on contingent liabilities were made according to present knowledge. Since some risks can only be assessed to a limited extent, if at all, it cannot be ruled out that losses or damage may arise in an amount not covered by the insurance or provisions. This applies in particular to the assessment of legal risks arising from the diesel issue.

DIESEL ISSUE

On November 2, 2015, the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America, Inc.

The notice alleges that certain 3.0 liter V6 Volkswagen Group diesel engines are in contravention of the applicable emissions certification standards.

Porsche AG has decided to voluntarily halt sales of the roughly 11,500 3.0 liter V6 diesel engines affected pending a decision and recertification by the US authorities.

On January 4, 2016, the US Department of Justice filed a complaint at the request of the EPA against the above companies, among others. In addition, class actions were filed by e.g. customers, dealers and investors and proceedings were initiated by further authorities and institutions (including the Department of Justice (civil and criminal), state attorney generals, the Federal Trade Commission and the Customs and Border Protection Agency) over the course of 2016. Porsche AG cooperated fully with all of the parties involved to clarify the matter.

On January 11, 2017, the US Department of Justice published the agreement with the VW group, including Porsche AG. The agreement with Porsche AG is limited to civil penalties. Volkswagen has signed a hold harmless agreement for the fines. Porsche will not be supervised by an external monitor. The organizational and process requirements have already been largely addressed in the Porsche remediation plan. On May 11, 2017, the agreement of January 2017 was confirmed by the courts. On October 23, 2017, the US authorities approved the software update submitted for review by the Volkswagen group relating to emissions compliant repair (ECR) for around 38,000 vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 Cayenne V6 diesel vehicles affected began in November 2017. The requisite software updated was successfully rolled out in fiscal year 2018. The recall quota specified in the agreement with the US authorities was thus exceeded.

Audi AG has indemnified Porsche AG against the costs of legal risks, litigation, product liability complaints or other third-party complaints relating to the 2013–2016 Porsche Cayennes affected in the United States. Audi AG is primarily responsible for the legal defense, including the associated court costs relating to the diesel issue affecting the Porsche AG group. Consequently, it is not expected that the Porsche AG group will be subject to any outflow of resources in this regard.

In July 2017, the public prosecutor's office in Stuttgart instigated a criminal investigation into the diesel issue against one board member, one employee and one former employee of Porsche AG on suspicion of fraud and false advertising. On January 21, 2019, the public prosecutor's office in Stuttgart instigated administrative fine proceedings pursuant to sections 30 and 130 of the German Act on Breaches of Administrative Regulations (Ordnungswidrigkeitsgesetz—OWiG). The administrative offense proceedings initiated against Porsche AG in connection with the diesel issue ended with the fine notice issued by the public prosecutor's office in Stuttgart on May 7, 2019. The fine notice is based on a negligent breach of supervisory duty in the organizational unit Prüffeld Entwicklung Gesamtfahrzeug/Qualität (Overall Vehicle Development/Quality—Testing Facility). The fine notice imposes a total fine of €535 million, comprising a penalty payment of €4 million and the forfeiture of economic benefits amounting to €531 million. After a thorough review, Porsche AG accepted the fine and paid it in full, rendering the fine notice legally binding. The fine notice ends the administrative offense proceedings against Porsche AG. As a consequence, it is not expected that any further penalties or forfeitures will be imposed on Porsche AG in Europe in connection with the uniform circumstances underlying the fine notice.

OTHER LITIGATION

As part of its antitrust investigations in the automotive industry, in April 2019 the European Commission sent a statement of objections to Porsche AG and other German car manufacturers. In it, the European Commission outlined its preliminary assessment of the matter and gave the opportunity to make a statement. The subject *matter of the proceedings is restricted to cooperation between German car manufacturers on technical issues in connection with the development and launch of SCR systems and "otto" particle filters for passenger cars that were sold in the European Economic Area. The manufacturers were not accused of other conduct such as price fixing or allocating markets and customers. The Volkswagen Group gained access to the investigation files in July 2019 and in December 2019 submitted its response to the European Commission's statement of objections. In addition, in March 2019 the Chinese antitrust authorities issued a request for information from Porsche AG and other German car manufacturers relating to the same matter.*

Volkswagen AG and other Volkswagen Group companies have responded to a request for information from the US Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) related to automatic transmissions in certain vehicles with gasoline engines. In August 2019, the Volkswagen Group agreed with the EPA to forfeit approximately 220,000 Greenhouse Gas Emissions Credits as part of the EPA's inquiry. Also in August 2019, Volkswagen and the Plaintiffs' Steering Committee announced the settlement of civil claims relating to approximately 50,000 Porsche vehicles as well as further Volkswagen, Audi and Bentley vehicles. Volkswagen's testing of these vehicles in connection with the requests for information resulted in a 1 mile per gallon change—when rounded in accordance with EPA rules—in the fuel economy to be disclosed in the "Monroney label" required under US law. In October 2019, the court granted preliminary approval for the settlement.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of provisions and contingent liabilities in connection with other material litigation, so as not to prejudice the outcome of the proceedings or the Company's interests.

EY audited the German-language consolidated financial statements of the Company as of and for the years ended December 31, 2020, and December 31, 2021, and the German-language annual financial statements of the Company as of and for the year ended December 31, 2021, in accordance with Section 317 HGB and German generally accepted standards for financial statement audits promulgated by the IDW and issued in each case a German-language unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

The independent auditor's report with respect to the consolidated financial statements of the Company as of and for the year ended December 31, 2020, contains the following emphasis of matter paragraph referring to the "diesel issue and potential regulatory issues identified":

"*We refer to the information presented by the Executive Board in the "Litigation" section of the notes to the consolidated financial statements, in which the allegations made and claims asserted against Dr. Ing. h.c. F. Porsche Aktiengesellschaft as well as the significant risks in connection with the diesel issue and additional potential regulatory issues identified are explained.*

The provisions for warranty claims and legal risks recognized in the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2020, in connection with the diesel issue as well as additional potential regulatory issues identified are based on the information presented by the executive directors of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. Due to the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the risk estimation presented there by the executive directors of Dr. Ing. h.c. F. Porsche Aktiengesellschaft could change in the future.

Our opinion on the consolidated financial statements has not been modified in this respect."

Note 37 "Litigation" to the consolidated financial statements as of and for the year ended December 31, 2020, to which the above excerpt of the independent auditor's report with respect to the consolidated financial statements as of and for the year ended December 31, 2020 refers to, states:

[37] LITIGATION

In the course of their operating activities, Porsche AG and the companies in which it holds direct or indirect interests are involved in a large number of legal disputes and official proceedings, both in Germany and abroad. Among others, these legal disputes and proceedings relate to or are connected with employees, authorities, services, dealers, investors, customers, products or other contractual partners. They may lead to payments such as fines as well as other obligations and consequences for the companies involved. In particular, substantial compensation or punitive damages may have to be paid and cost-intensive measures may be necessary. It is often not possible, or only to a very limited extent to quantify the specific effects of an objective threat.

In addition, risks may arise in respect of compliance with regulatory requirements. This applies in particular to regulatory gray areas, where Porsche AG or the companies in which it holds direct or indirect interests may make interpretations that differ from those of the competent authorities. Legal risks may also arise due to the criminal actions of individuals, which even the best compliance management system can never fully rule out.

Where doing so was manageable and economically feasible, adequate insurance cover was taken out to cover these risks. For risks that could be identified and measured, appropriate provisions were recognized or disclosures on contingent liabilities were made based on present knowledge. Since some risks cannot be assessed, or only to a limited extent, it cannot be ruled out that significant losses or damage may arise in an amount not covered by the insurance or provisions. This applies in particular to the assessment of legal risks arising from the diesel issue.

DIESEL ISSUE

On November 2, 2015, the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America, Inc.

The notice alleges that certain 3.0 liter V6 Volkswagen Group diesel engines are in contravention of the applicable emissions certification standards.

Porsche AG has decided to voluntarily halt sales of the roughly 11,500 3.0 liter V6 diesel engines affected pending a decision and recertification by the US authorities.

On January 4, 2016, the US Department of Justice filed a complaint at the request of the EPA against the above companies, among others. In addition, class actions were filed by customers, dealers and investors and proceedings were initiated by further authorities and institutions (including the Department of Justice (civil and criminal), state attorney generals, the Federal Trade Commission and the Customs and Border Protection Agency) over the course of 2016. Porsche AG cooperated with all of the parties involved to clarify the matter.

On January 11, 2017, the US Department of Justice published the agreement with the VW group, including Porsche AG. The agreement with Porsche AG is limited to civil penalties. Volkswagen has signed a hold harmless agreement for the fines. The Porsche AG group will not be supervised by an external monitor. The organizational and process requirements have already been largely addressed in the Porsche remediation plan. On May 11, 2017, the agreement of January 2017 was confirmed by the courts. On October 23, 2017, the US authorities approved the software update submitted for review by the Volkswagen group relating to emissions compliant repair (ECR) for around 38,000 vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 Cayenne V6 diesel vehicles concerned began in November 2017. The requisite software update was successfully rolled out in fiscal year 2018. The recall quota specified in the agreement with the US authorities was thus exceeded.

Audi AG has indemnified Porsche AG against the costs of legal risks, litigation, product liability complaints or other third-party complaints relating to the 2013—2016 Porsche Cayennes affected in North America and it was agreed to not plea the statute of limitations until July 31, 2023. Consequently, it is not expected that the Porsche AG group will be subject to any significant outflow of resources in this regard.

Accordingly, no receivables were recognized for other costs incurred in connection with the diesel issue in North America for which Audi AG has signed a hold harmless agreement as an outflow of resources is not virtually certain.

For the civil law proceedings outside of the US and Canada in connection with the diesel issue, Porsche AG expects—based on previous agreements and accounting practice—that all costs incurred in this connection for legal risks and litigation costs will be borne by Audi AG and will pass the costs on to them. No extensive provisions will be recognized for future expected outflows of resources.

In July 2017, the public prosecutor's office in Stuttgart instigated a criminal investigation into the diesel issue against one Executive Board member as well as a total of seven employees or former employees of Porsche AG on suspicion of fraud and false advertising. On January 21, 2019, the public prosecutor's office in Stuttgart instigated administrative fine proceedings pursuant to sections 30 and 130 of the German Act on Breaches of Administrative Regulations (Ordnungswidrigkeitsgesetz—OWiG). The administrative offense proceedings initiated against Porsche AG in connection with the diesel issue ended with the fine notice issued by the public prosecutor's office in Stuttgart on May 7, 2019. The fine notice is based on a negligent breach of supervisory duty in the organizational unit Prüffeld Entwicklung Gesamtfahrzeug/Qualität (Overall Vehicle Development/Quality—Testing Facility). The fine notice imposes a total fine of € 535 million, comprising a *penalty payment of € 4 million and the forfeiture of economic benefits amounting to € 531 million. After a thorough review, Porsche AG did not appeal the penalty payment and paid the fine in full, rendering the fine notice legally binding. The fine notice ends the administrative offense proceedings against Porsche AG. As a consequence, it is highly unlikely that any further penalties or forfeitures will be imposed on Porsche AG in Europe in connection with the uniform circumstances underlying the fine notice.*

Furthermore, a number of administrative investigations and proceedings are pending around the world against Porsche AG and its subsidiaries as well as against its executive directors with regard to the diesel issue.

OTHER LITIGATION

On August 4, 2017, the Tax Office Stuttgart II—criminal and administrative fines division—instigated administrative fine proceedings against Porsche AG and several current and former members of the Executive Board of Porsche AG. The proceedings relate to an alleged breach of supervisory duty on the part of the Executive Board members affected resulting in reckless tax evasion and wage tax fraud being committed within the company. The tax authorities have yet to make a decision, and in particular have not yet issued a fine. Porsche AG is cooperating with the fiscal authorities in the treatment of all relevant tax matters. Porsche AG expects the proceedings to come to a close in the first quarter of 2021. An investigation also pending with the public prosecutor's office in Stuttgart on account of suspected tax evasion and embezzlement charges against several current and former members of the company's Executive Board will most likely be converted into the above-mentioned administrative fine proceedings and otherwise discontinued. A corresponding provision has been set up for a potential fine.

As part of its antitrust investigations in the automotive industry, in April 2019 the European Commission sent a statement of objections to Porsche AG and other German car manufacturers. In it, the European Commission outlined its preliminary assessment of the matter and gave the opportunity to make a statement. The subject matter of the proceedings is restricted to cooperation between German car manufacturers on technical issues in connection with the development and launch of SCR systems and "otto" particle filters for passenger cars that were sold in the European Economic Area. The manufacturers were not accused of other conduct such as price fixing or allocating markets and customers. The Volkswagen Group gained access to the investigation files in July 2019 and in December 2019 submitted its response to the European Commission's statement of objections. In addition, in 2019 the Chinese and in 2020 both the Turkish and South Korean antitrust authorities opened proceedings against Porsche AG and other German car manufacturers relating to the same matter.

In October 2020, the U.S. District Court for the Northern District of California dismissed two antitrust class actions in which the plaintiffs had alleged that several car manufacturers, including Porsche AG and other companies of the VW Group had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protections law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support the alleged anticompetitive agreements. The plaintiffs filed an appeal with the US Court of Appeal against this ruling. Lawsuits are also pending in Canada against several car manufacturers including Porsche AG and several of its Canadian subsidiaries as well as other Volkswagen Group companies with similar allegations on behalf of putative classes of purchasers. Neither provisions nor contingent liabilities were recognized because the early stage of proceedings means that an assessment is not currently possible. Porsche AG and its subsidiaries will also defend these claims in Canada should the plaintiffs actually take further action.

In February 2020, the US District Court for the Northern District of California definitively approved a class action settlement of civil claims relating to approximately 50,000 Porsche vehicles with automatic transmission as well as further Volkswagen, Audi and Bentley vehicles.

With regard to vehicles for various markets worldwide, Porsche AG has identified potential regulatory issues. These issues relate to questions of the reliability of specific hardware and software components that were used in typing measurements. In individual cases, there may also be deviations from the series status. However, based on the information available at present, current production has not been affected. The issues are in no way related to the illegal defeat devices underlying the diesel issue. Porsche AG is cooperating with the responsible authorities, including the public prosecutor's office in Stuttgart, which has instigated a criminal investigation against five employees at Porsche AG. However, based on the information available, no criminal investigation has been instigated against the company. Internal investigations into this at Porsche are ongoing. To date, five different class actions relating to these issues have been filed in the US. According to the statement of claims, software and/or hardware allegedly used in the affected vehicles resulted in actual exhaust emissions and/or fuel consumption being higher than legally permitted. In January 2021, a consolidated complaint was filed combining the five class actions into one lawsuit. This will most likely be handled by the

US District Court for the Northern District of California. The five lawsuits were originally directed at Porsche AG and its US importer subsidiary, Volkswagen AG as well as Audi AG, although not every company is being sued in all of the cases at hand.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of provisions and contingent liabilities in connection with material litigation, so as not to prejudice the outcome of the proceedings or the company's interests.

The independent auditor's report with respect to the annual financial statements of the Company as of and for the year ended December 31, 2021, contains the following paragraph referring to as an "Other matter":

"*Applying the simplification provision of Section 264 (3) HGB, notes to the financial statements and a management report were not prepared. At the time of completing our audit of the financial statements, it was not possible to conclusively determine whether the Company rightly made use of the exemption afforded by Section 264 (3) HGB because the requirements according to Section 264 (3) Sentence 1 No. 3, No. 4 and No. 5 lit. a) to e) HGB will not be met until a later date. Our opinion on the annual financial statements was not modified in this respect.*"

The annual financial statements of the Company as of and for the year ended December 31, 2021 were prepared in accordance with German generally accepted accounting principles of the HGB, applying Section 264 para. 3 HGB, which provides an exemption from the requirement to prepare notes and a management report provided that certain requirements are met, and the auditor issued an unqualified independent auditor's report thereon. The paragraph referring to an "Other matter" included in the respective independent auditor's report is an explanatory note regarding the fact that the requirements pursuant to (i) Section 264 para. 3 sentence 1 no. 3 HGB (preparation and audit of the consolidated financial statements and group management report of the parent company), (ii) Section 264 para. 3 sentence 1 no. 4 HGB (disclosure regarding the exemption of the subsidiary in the notes to the consolidated financial statements of the parent company), (iii) Section 264 para. 3 sentence 1 no. 5 lit. a) HGB (publication of the shareholder resolution pursuant to Section 264 para. 3 sentence 1 no. 1 HGB), (iv) Section 264 para. 3 sentence 1 no. 5 lit. b) HGB (publication of the declaration pursuant to Section 264 para. 3 sentence 1 no. 2 HGB), (v) Section 264 para. 3 sentence 1 no. 5 lit. c) to (e) HGB (publication of the consolidated financial statements and the group management report of the parent company as well as the respective independent auditor's report thereon) were not met at the time the auditor issued its independent auditor's report. The requirements according to Section 264 para. 3 sentence 1 no. 5 lit. a) and b) HGB were met on March 15, 2022. Furthermore, the requirements according to Section 264 para. 3 sentence 1 no. 3, no. 4 and no. 5 lit. c) to e) HGB were met on March 21, 2022. Therefore, the paragraph referring to an "Other matter" included in the above-mentioned independent auditor's report was no longer relevant since March 21, 2022. The fact that the above-mentioned requirements were met after the issuance of the respective independent auditor's report did not affect the Company's ability to rely on the exemption from the requirement to prepare notes and a management report.

16.9 Announcements and Paying Agent

Pursuant to the Articles of Association, the Company's announcements are published in the German Federal Gazette (*Bundesanzeiger*), unless provided otherwise by mandatory law. Subject to the legal requirements, notices to the shareholders of the Company may also be communicated by means of remote data transmission.

In accordance with the Prospectus Regulation, announcements in connection with the approval of this Prospectus or any supplements thereto will be published in the form of publication provided for in this Prospectus, in particular through publication on the Company's website www.porsche.com.

The paying agent is Deutsche Bank. The mailing address of the paying agent is Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

16.10 General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may only be liquidated with a vote of at least 75% or more of the share capital represented at the vote. In the event of the Company's liquidation, pursuant to the AktG, any assets remaining following settlement of the Company's liabilities shall be distributed among the Company's shareholders in proportion to their shareholdings (*i.e.*, equally among both holders of Ordinary Shares and Preferred Shares). The AktG provides certain protections for creditors to be observed in the event of a liquidation of the Company.

17 DESCRIPTION OF SHARE CAPITAL

17.1 Current Share Capital and Shares

As of the date of this Prospectus, the share capital of the Company amounts to EUR 911,000,000 and is divided into 455,500,000 Ordinary Shares and 455,500,000 Preferred Shares, each in form of bearer shares. The shares are no par value shares and each represents a notional share of EUR 1.00 in the Company's share capital. All shares of the Company are fully paid up. The Company's shares were issued pursuant to the laws of Germany.

Each Ordinary Share carries one vote at the General Meeting. There are no restrictions on voting rights attached to the Ordinary Shares and they carry full dividend rights; the Preferred Shares carry—among other shareholders' rights—dividend rights including an extra dividend (*Mehrdividende*) amounting to EUR 0.01 per Preferred Share (the dividend rights being subject to the Porsche PLTA which will terminate pursuant to Section 307 AktG by operation of law at the end of the financial year ending December 31, 2022 assuming completion of the Offering (see "*14.1.5 Termination of Domination Agreement and Profit and Loss Transfer Agreement with Porsche GmbH*"), which does not accrue if not being paid in one year (*nicht nachzahlbar*), but no voting rights. However, holders of Preferred Shares have—exceptionally—voting rights, if the extra dividend is not paid or not fully paid out in one year. The voting rights continue to exist until the extra dividend is paid in full in one year.

As of the date of this Prospectus, all existing shares of the Company are held by the Selling Shareholder (see "*15.1 Current Shareholders*").

17.2 Development of the Share Capital

The Company's share capital has developed as follows:

The Company was established with an initial share capital of EUR 50,000 (for details of the formation, see "*16.1 Establishment, Formation, History and Share Capital*").

On November 25, 2009, the General Meeting resolved to increase the share capital from EUR 50,000 by EUR 45,450,000 to EUR 45,500,000 against contribution in kind (*Sachkapitalerhöhung*) (the "**Capital Increase 2009**"). The Capital Increase 2009 was carried out for the purpose of implementing the hive-down (see "*16.1 Establishment, Formation, History and Share Capital*"). The implementation of the Capital Increase 2009 was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Stuttgart, Germany, under HRB 730623 on November 30, 2009.

On August 1, 2022, the General Meeting resolved—among other items—to increase the Company's share capital from EUR 45,500,000 by EUR 865,500,000 to EUR 911,000,000 (the "**Capital Increase 2022**"). The implementation of the Capital Increase 2022 was registered with the commercial register (*Handelsregister*) of the Company at the local court (*Amtsgericht*) of Stuttgart on August 15, 2022. As of the date of this Prospectus, each of the then existing 455,500,000 Ordinary Shares and the 455,500,000 Preferred Shares represent 50% of the share capital of the Company, and all existing shares of the Company are held by the Selling Shareholder (see "*15.1 Current Shareholders*").

17.3 Authorized Capital, Conditional Capital and Authorization to Issue Convertible Bonds and/or Warrant Bonds

As of the date of this Prospectus, neither an authorized capital nor a conditional capital or an authorization to issue Convertible Bonds and/or Warrant Bonds have been resolved by the General Meeting.

17.4 Authorization to Purchase and Use Treasury Shares

As of the date of this Prospectus, the Company does not hold any treasury shares, nor does a third party hold any Company shares on behalf of, or for the account of, the Company. No authorization to purchase and use treasury shares has been resolved by the General Meeting.

17.5 General Provisions Governing a Change in the Share Capital

The AktG provides that the share capital of a stock corporation may be increased by a resolution adopted at the general meeting. Such resolution generally requires a simple majority of the votes cast (*Stimmenmehrheit*) as well as a majority of at least 75% of the share capital represented (*Kapitalmehrheit*) when the resolution is passed, unless a company's articles of association provide for a different majority. According to Section 141 para. 2 of the AktG, a resolution on the issuance of new Preferred Shares that will take precedence over or will rank equally with existing Preferred Shares in the distribution of profits or the Company's assets requires in addition the consent of the holders of Preferred Shares by resolution with a majority of at least 75% of the votes cast, unless the such issuance was expressly reserved at the time the preferential right to profits was granted and if the subscription right of the holders of Preferred Shares for newly issued shares is not precluded. Such reservation is expressly provided for in the Articles of Association.

In addition, the general meeting may resolve to create authorized capital (*Genehmigtes Kapital*) by a simple majority of the votes cast and a majority of at least 75% of the share capital represented when the resolution is passed, unless the articles of association provide for a higher majority. An authorized capital authorizes a company's executive board to issue shares of up to a specific amount within a period not exceeding five years. The nominal amount of such issuance may not exceed 50% of the share capital in existence at the time the resolution of the general meeting is registered with the commercial register (*Handelsregister*).

Additionally, shareholders resolve to create conditional capital (*bedingte Kapitalerhöhung*) for the purpose of issuing shares to (i) holders of convertible bonds or other securities convertible into shares of the Company, (ii) as consideration in connection with a merger with another company, or (iii) executives and employees of the Company or affiliated companies. A resolution to create conditional capital must be adopted by a simple majority of the votes cast and at least 75% of the share capital represented when the resolution is passed. The nominal amount of the conditional capital created for the purpose of share issues to executives and employees may not exceed 10%, while the nominal amount of the conditional capital created for the purpose of share issues to holders of convertible bonds or other securities convertible into shares of the Company or as consideration in connection with a merger with another company may not exceed 50% of the nominal share capital in existence at the time such resolution is passed; however, there is generally no limitation with respect to a time period during which the shares are issued from the conditional capital. The creation of conditional capital beyond the 50% threshold is permitted only for the purpose of enabling the Company to make an exchange in the event of its impending insolvency or for the purpose of averting over-indebtedness.

A resolution to decrease the share capital must generally be adopted by a simple majority of the votes cast and at least 75% of the share capital represented when the resolution is passed, unless the articles of association provide for a higher majority. A decrease of the share capital is also possible upon cancellation of treasury shares if the authorization granted to the Executive Board by the General Meeting to purchase treasury shares explicitly allows for such cancellation.

17.6 General Provisions Governing Subscription Rights

Section 186 AktG generally grants all shareholders (*i.e.*, both holders of ordinary bearer shares (*Stammaktien*) and holders of non-voting preferred bearer shares (*stimmrechtslose Vorzugsaktien*)) the right to subscribe on a pro rata basis to new shares of the Company issued within the framework of a capital increase, irrespective of whether the newly issued shares are ordinary bearer shares (*Stammaktien*) or non-voting preferred bearer shares (*stimmrechtslose Vorzugsaktien*). The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. A period of at least two weeks is to be determined for exercising the subscription right for newly issued shares. Subscription rights are freely transferable and may be traded on stock exchanges in Germany for a prescribed period before the deadline for subscription expires. The general meeting may resolve to exclude shareholders' subscription rights with a majority of at least 75% of the share capital represented at the vote. Exclusion of shareholders' subscription rights, wholly or in part, also requires a report from the Executive Board to the general meeting that justifies the exclusion and demonstrates that the company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights upon issuance of new shares is generally permissible, provided the Company increases its share capital against cash contributions, the amount of the capital increase does not exceed 10% of the existing share capital at issue and the issue price of the new shares is not substantially lower than the stock exchange price of the shares (so-called "simplified exclusion of subscription rights").

17.7 Exclusion of Minority Shareholders

17.7.1 Squeeze-Out under Stock Corporation Law

Sections 327a *et seqq.* AktG, which govern a so-called "squeeze-out under stock corporation law", provide that upon request of a shareholder holding 95% or more of the Company's share capital, the General Meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of an appropriate cash compensation. The amount of cash compensation offered to minority shareholders must reflect "the circumstances of the Company" at the time the General Meeting passes the resolution. The amount of the appropriate cash compensation is based on the full value of the Company, which is generally determined using the capitalized earnings method. Minority shareholders are entitled to file for an appraisal proceeding, wherein the court will review the appropriateness of the cash compensation.

17.7.2 Squeeze-Out and Tender Rights under Takeover Law

Under Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*; "**WpÜG**"), in the event of a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the WpÜG) following a takeover bid or mandatory offer may, within three months of the expiry of the acceptance period of the offer, request the regional court (*Landgericht*) of Frankfurt am Main, Germany, to order the transfer of the remaining voting shares to such offeror against payment of an appropriate compensation. Such transfer does not require a resolution of the target company's general meeting. The consideration paid in connection with the takeover bid or mandatory offer is considered an appropriate compensation if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer, while at all times a cash compensation must also be offered.

In addition, following a takeover bid or mandatory offer, the shareholders in a target company who have not accepted the offer may do so up to three months after the acceptance period has expired (Section 39c WpÜG, a so-called "sell-out"), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a WpÜG. The provisions for a squeeze-out under stock corporation law are suspended once an offeror has petitioned for a squeeze-out under takeover law until these proceedings have been definitively completed.

17.7.3 Squeeze-Out under Transformation Law

Under Section 62 para. 5 UmwG, a majority shareholder holding at least 90% of a company's share capital may require the company's general meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of an adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) or a European stock corporation (*Societas Europaea*) having its registered office in Germany, and (ii) the squeeze-out is performed to facilitate an intra-group merger under the UmwG between the majority shareholder and the company. The general meeting held to approve the squeeze-out must take place within three months of the conclusion of the merger agreement. The procedure for a squeeze-out under the UmwG is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to judicial review of the appropriateness of the cash compensation.

17.8 Integration

Under Sections 319 *et seqq.* AktG, the company's general meeting may vote for an integration (*Eingliederung*) into another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the Company. The former shareholders of the Company are entitled to adequate compensation, which generally must be provided in the form of shares in the parent company. The amount of the compensation must be determined using the "merger value ratio" between the two companies, *i.e.*, the exchange ratio which would be considered reasonable in the event of merging the two companies. Fractional amounts may be paid out in cash.

17.9 Shareholder and Company Notification Requirements

Upon the Admission to Trading of the Preferred Shares, the Company will be subject to the WpHG and its provisions governing, *inter alia*, disclosure requirements for significant shareholdings, and the WpÜG provisions governing takeover bids and mandatory offers.

17.10 Notification Requirements of Shareholders

Pursuant to Section 33 para. 1 WpHG, anyone who acquires or whose shareholding in any other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company is required to concurrently notify the Company and the BaFin of such occurrence. Subsequent notifications are required if such person reaches or crosses by acquisition, sale or in any other way another of the aforementioned thresholds.

Under certain circumstances, the Preferred Shares gain voting rights (see "*17.1 Current Share Capital and Shares*"). In this event, the Preferred Shares are included in the calculation of the total number of voting rights in the Company and such holders of Preferred Shares are also subject to the above described notification requirements.

All such notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or the entity subject to the notification requirement has knowledge of, or in consideration of the circumstances should have had knowledge of, his or her proportion of voting rights reaching or crossing the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or the entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to Section 33 para. 3 WpHG. If a threshold has been reached or crossed due to a change in the total number of voting rights of the Company, the notification period starts at the time the person or entity, subject to the notification requirement, has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 WpHG contains various rules for the attribution of voting rights. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party in relation to a target company on the basis of an agreement or in any other way (so-called acting in concert) generally results in a mutual attribution of the full amount of voting rights held by, or attributed to, the third party, as well as to such person or entity. Such acting in concert generally requires a coordination on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company. Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Except for the 3% threshold, similar notification requirements towards the Company and the BaFin exist pursuant to Section 38 para. 1 WpHG, if the other aforementioned thresholds have been reached, exceeded or fallen below, because a person or entity holds instruments that (i) confer (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due or (b) discretion to exercise his or her right to acquire such shares or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter mentioned notification requirements also apply, for example, pursuant to Section 38 para. 2 WpHG, to share swaps against cash consideration and contracts for difference.

In addition, anyone whose aggregate number of voting rights and instruments pursuant to Sections 33 para. 1 and 38 para. 1 WpHG reaches, exceeds or falls below the aforementioned thresholds except for the 3% threshold, has to notify the Company and the BaFin pursuant to Section 39 para. 1 WpHG.

17.11 Exceptions to Notification Requirements

There are certain exceptions to the notification requirements. For example, a company is exempt from its notification obligation if its parent company, or if its parent company is itself a subsidiary, the parent's parent company, has filed a group notification pursuant to Section 37 para. 1 WpHG. Moreover, pursuant to Section 36 para. 1 WpHG, voting rights and instruments are not considered if the holder is a credit institution or an investment services enterprise whose registered office is situated in a Member State of the European Union or in another signatory state to the Agreement on the European Economic Area (EEA), provided (i) it holds the shares in question in its trading book, (ii) they amount to not more than 5% of the voting rights or do not have similar effects and (iii) it is ensured that the voting rights attaching to such shares or instruments are not exercised or otherwise used to exert influence over the management of the issuer.

17.11.1 Fulfillment of Notification Requirements

If any notification obligation is triggered, the notifying person or entity is required to complete the notification form set forth as an annex to the German Securities Trading Notification Regulation (*Wertpapierhandelsanzeigeverordnung*). The notice may be submitted either in German or English to BaFin only electronically via BaFin's MVP portal (which requires prior registration). The MVP portal will then create documents which must be sent to the Company via electronic means of communications.

As a German domestic issuer, the Company is required to publish such notices without undue delay (*unverzüglich*), but no later than three trading days after receipt.

17.11.2 Consequences of Violations of Notification Requirements

If a shareholder fails to comply with the voting rights notification obligations pursuant to Sections 33 and 34 WpHG, the rights attached to shares held by or attributed to such shareholder do not exist during the period for which the notification requirements have not been met. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. However, it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or with gross negligence fails to disclose the correct proportion of voting rights held, the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. The same rules apply to shares held by a shareholder if such shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments pursuant to Sections 38 para. 1 and 39 para. 1 WpHG. In addition, a fine may be imposed for failure to comply with notification obligations. The BaFin also publishes decisions on sanctions and measures with regard to violations of the disclosure obligations and persons responsible for such violations pursuant to Section 124 WpHG (so-called naming and shaming).

17.11.3 Special Notification Requirements for more than 10% of the Voting Rights

Pursuant to Section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company (which has to publish such information) within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Afterwards, changes in those objectives must also be reported within 20 trading days. A company's articles of association may release shareholders from the obligation to make a notification pursuant to Section 43 WpHG, however, the Articles of Association of the Company do not include such release.

17.11.4 Publication of the Total Number of Voting Rights and Communication to the Company Register

The Company is required pursuant to Section 41 para. 1 WpHG to publish the total number of voting rights via media outlets or outlets where it can be assumed that the information will be disseminated in the entire EU and all EEA Member States.

In the event the Preferred Shares gain voting rights (see "*17.1 Current Share Capital and Shares*"), the Company must also notify the number of voting rights which the holders of Preferred Shares exceptionally have (see for details of the respective notification obligations of the holders of Preferred Shares "*17.10 Notification Requirements of Shareholders*").

17.12 Mandatory Offers

Pursuant to the WpÜG, every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company following the Admission to Trading of Preferred Shares is required to publish this fact, including the percentage of its voting rights, within seven calendar days. In calculating the 30% threshold, Preferred Shares are generally disregarded, unless voting rights of holders of Preferred Shares—exceptionally—have arisen (see "*17.1 Current Share Capital and Shares*"). The aforementioned publication must be furnished on the internet and by means of an electronically operated system for disseminating financial information unless an exemption has been granted by BaFin. This publication has to be made within seven calendar days and include the total amount of voting rights held by and attributed to such person and, subsequently, such person is further required to submit a mandatory public tender offer to all holders of shares in the Company. The WpÜG contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares. If the relevant shareholder fails to give notice of reaching or exceeding the 30% threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely manner, the right to dividends) for the duration of the non-compliance. A fine may also be imposed in such cases.

17.13 Post-Admission Disclosure and Reporting Requirements

With the Company's application for the Admission to Trading of its Preferred Shares, the Company will for the first time be subject to the rules and requirements of the MAR governing, *inter alia*, obligations of persons discharging managerial responsibilities to disclose transactions in the Company's shares, debt instruments, related derivatives or other related financial instruments. The Company will also be subject to the requirement to publish inside information relating to it by way of ad hoc notifications pursuant to Art. 17 para. 1 MAR.

Also, following the Admission to Trading of its Preferred Shares, the Company will for the first time be subject to certain additional reporting and disclosure obligations under the AktG and the WpHG. These obligations include, *inter alia*, the disclosure of an audited report of the remuneration paid to members of the Executive Board and the Supervisory Board (*Vergütungsbericht*), the disclosure of transactions with related parties, periodic financial reporting as well as financial and other required disclosures required by the WpHG. The Company will also be obliged under the listing rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*) to publish quarterly statements, as the Preferred Shares are to be listed in the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange.

17.14 EU Short Selling Regulation (Ban on Naked Short Selling)

Pursuant to Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012, on short selling and certain aspects of credit default swaps (the "**EU Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing the EU Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short selling of the Company's shares is only permitted under certain conditions. Additionally, under the provisions of the EU Short Selling Regulation, significant net short selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the EU Short Selling Regulation and the other regulations which the European Commission enacted on short selling. In certain situations, described in the EU Short Selling Regulation, the BaFin may restrict short selling and comparable transactions.

18 CORPORATE BODIES

18.1 Overview

The Company's governing bodies are the executive board (*Vorstand*, "**Executive Board**"), the supervisory board (*Aufsichtsrat*, "**Supervisory Board**") and the general meeting (*Hauptversammlung*, "**General Meeting**"). The powers and responsibilities of these governing bodies are determined by the AktG, the Company's Articles of Association and the internal rules of procedure (*Geschäftsordnung*) for both the Executive Board and the Supervisory Board. The German Corporate Governance Code (*Deutscher Corporate Governance Kodex,* the "**Code**") sets forth further recommendations for the good corporate governance of the corporate bodies of a German stock corporation.

The Executive Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and the rules of procedure for the Executive Board ("**RoP-EB**"), containing a schedule of responsibilities, which have been resolved upon on September 14, 2022. The members of the Executive Board represent the Company in all respects, including before courts and outside of court.

Simultaneous management and supervisory board membership in a German stock corporation is not permitted under the AktG; however, in exceptional cases and for an interim period, a member of the supervisory board may occupy a vacant seat on the Executive Board of the same German stock corporation. During this period, such individual may not perform any duties for the supervisory board. Such a stand-in arrangement is limited in time for a maximum period of one year.

The Shareholders' Agreement provides for further regulations in relation to the corporate governance of the Company, particularly regarding the composition of its corporate bodies (for details, see "*15.2 Share Purchase Agreement and Shareholders' Agreement*").

The Supervisory Board determines the exact number of members of the Executive Board. The Supervisory Board also appoints the members of the Executive Board and is entitled to dismiss them under certain circumstances (for details, see "*18.2.1 Overview*"). As set out in the AktG, the Supervisory Board advises and supervises the Executive Board's management of the Company but is not itself authorized to manage the Company. The Supervisory Board has, however, designated in the RoP-EB the types of matters and transactions of the Company and its dependent companies (*abhängige Unternehmen*) that require the approval of the Supervisory Board.

The Supervisory Board may at any time make further types of matters and transactions subject to its prior approval. The Supervisory Board may also approve a certain group of the above-mentioned transactions in general.

Each member of the Executive Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. Members of these governing bodies must consider in their decision-making a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the members of the Executive Board as well as the Supervisory Board must take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Executive Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Executive Board or the Supervisory Board *vis-à-vis* the Company for compensatory damages.

Under German law, a shareholder generally has no right to proceed directly against members of the Executive Board or Supervisory Board to assert a breach of their duties *vis-à-vis* the Company. In general, only the Company has the right to enforce claims for damages against the members of the Executive Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Executive Board, and the Supervisory Board represents the Company with respect to claims against members of the Executive Board. Pursuant to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board is required to assert damages claims against the Executive Board if they are likely (*voraussichtlich*) to succeed, unless legitime interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claims. Even if they decide not to pursue a claim, the Executive Board or the Supervisory Board must nevertheless assert the Company's claims for damages if a resolution to this effect is passed by the General Meeting with a simple majority vote. The General Meeting may also appoint a special representative (*besonderer Vertreter*) to assert the claims. Such a special representative may also be appointed by the court upon a request by shareholders whose shares together amount to not less than 1/10th of the Company's share capital or their notional value represents an amount of EUR 1,000,000 in the share capital. In addition, the General Meeting may appoint a special auditor (*Sonderprüfer*) to audit the actions taken and events occurring at the Company's formation or occurring in the course of the management of the Company's affairs, particularly also in the case of measures serving the procurement of capital and the reduction of capital, by a simple majority of the votes cast. If the General Meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the request of shareholders whose shares together amount to not less than 1/100th of the Company's share capital at the time the request is filed or their notional value represents an amount of EUR 100,000 in the share capital if facts exist that justify the suspicion that the behavior in question constituted dishonesty or gross violations of the law or the Company's articles of association. If the General Meeting has appointed a special auditor, the court must replace the special auditor upon the petition of shareholders whose shares cumulatively constitute 1/100th of the Company's share capital at the time the petition is filed or their notional value represents an amount of EUR 100,000 in the share capital if this appears necessary due to reasons inherent in the person of the special auditor, in particular because the appointed special auditor does not have the knowledge required for dealing with the subject to be addressed by the special audit, if there is the fear of his/her being biased, or if there are concerns regarding his/her reliability.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a General Meeting or exercise voting rights in a General Meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of law or the Company's articles of association, shareholders who collectively hold 1/100th of the share capital or their notional value represents an amount of EUR 100,000 in the share capital may also, under certain further conditions, seek damages from members of the Company's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for damages against members of the Executive Board or the Supervisory Board three years after such claims arose and if the General Meeting grants its consent by simple majority vote and if no objection is raised and documented in the minutes of the General Meeting by shareholders whose shares cumulatively constitute 1/10th of the Company's share capital.

Any person who intentionally uses their influence on the Company to cause a member of the Executive Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is liable to compensate the Company and the affected shareholders for the resulting losses. A shareholder with a controlling influence may not use that influence to cause the Company to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholder and the Company in place or the disadvantages that the Company suffers from such influence are appropriately compensated. Alongside a person who uses their influence to the detriment of the Company, the members of the Executive Board and Supervisory Board can be jointly and severally liable, if they acted in violation of their duties.

18.2 Executive Board

18.2.1 Overview

Under the Articles of Association, the Executive Board consists of at least two members. The Supervisory Board may determine a higher number of members and may appoint a member of the Executive Board to act as chairperson or speaker of the Executive Board and another member as vice chairperson or vice speaker. In addition, the Supervisory Board may appoint deputy members of the Executive Board. Pursuant to Section 84 para. 1 sentence 1 AktG, the Supervisory Board appoints members of the Executive Board for a maximum term of five years.

The Supervisory Board may revoke the appointment of a member of the Executive Board prior to the expiration of the member's term pursuant to Section 84 para. 4 AktG for good cause (*wichtiger Grund*). Such good cause shall consist of, in particular, gross dereliction of duties, inability to properly manage the Company's affairs, or a vote of no confidence by the General Meeting, unless the confidence has been withdrawn on grounds that are manifestly irrelevant. The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Executive Board and, in general, for representing the Company *vis-à-vis* the Executive Board.

The Company is legally represented *vis-à-vis* third parties and in court proceedings by two members of the Executive Board or by one member of the Executive Board together with an authorized representative (*Prokurist*). The Supervisory Board may release individual members of the Executive Board from the restrictions on multiple representation.

The Supervisory Board has adopted the RoP-EB on September 14, 2022. The RoP-EB govern the internal organization and procedures of the Executive Board, including the matters and transaction that require the approval of the Supervisory Board and the allocation of responsibilities to the members of the Executive Board (*Geschäftsverteilungsplan*). Any changes to the allocation of responsibilities are to be proposed by the chairperson and—subject to the approval by the Supervisory Board—to be unanimously resolved by the members of the Executive Board. The catalogue of matters and transactions that require the approval of the Supervisory Board, reflects the matters and transactions that the parties to the Shareholders' Agreement have agreed (see "*15.2 Share Purchase Agreement and Shareholders' Agreement*").

18.2.2 Members of the Executive Board

The following table lists the current members of the Executive Board and their respective responsibilities:

Name/Position	Born	First appointed in	Appointed until	Responsibilities
Dr. Oliver Blume	1968	2013	2028	Chairperson
Lutz Meschke	1966	2009	2027	Deputy chairperson and Finance and IT
Barbara Frenkel	1963	2021	2024	Procurement
Andreas Haffner	1965	2015	2023	Human Resources
Detlev von Platen	1964	2015	2023	Sales and Marketing
Albrecht Reimold	1961	2016	2024	Production and Logistics
Dr. Michael Steiner	1964	2016	2024	Research and Development

The following description provides summaries of the curricula vitae of the current members of the Executive Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Dr. Oliver Blume

Dr. Oliver Blume was born in 1968 in Braunschweig, Germany. After graduating from high school with an A-level certificate of education (*Abitur*) in Braunschweig, Germany, in 1987, he commenced studies in mechanical engineering at the Technical University of Braunschweig, Germany, in 1988. In 1994, he participated in the international trainee program of Audi. In 1996, he took over the position of Planer Body Construction and Paint Shop (*Planer Karosseriebau und Lackiererei*) at Audi and became Audi's Head of Manufacturing Body Construction Audi A3 (*Leiter Fertigung Karosseriebau Audi A3*) in 1999. In 2001, he completed his PhD thesis and received the title of Doctor of engineering in vehicle engineering from the Institute of Vehicle Technology at Tongji University in Shanghai. In 2001, he became the Executive Assistant Production at Audi and was promoted to Audi's Head of Pilot Plant in 2003. In 2004, he became the Head of Planning and Pilot Series Centre (*Leiter Planung und Vorseriencenter*) at SEAT S.A. In 2009, he moved to Volkswagen AG as the Head of Production-Planning Volkswagen Brand. In 2013, he was appointed as a member of the Executive Board with responsibility for Production and Logistics. Since 2015, he has been the chairperson of the Executive Board. In 2018, he was appointed as a member of the Volkswagen Group executive board, with responsibility for Brand Group Sports & Luxury and, from September 1, 2022, he has been the chairperson of the executive board of Volkswagen AG. Since September of 2022, he is also the chairperson of the supervisory board of CARIAD SE.

Lutz Meschke

Lutz Meschke was born in 1966 in Hilden, Germany. After graduating from high school with A-level certificate of education (*Abitur*) in 1985, he commenced studies in business administration at the University of Cologne, Germany, in 1986 and completed his studies with a degree in business administration. In 1991, he became an Audit-assistant at KPMG and was promoted to Audit-senior (*Prüfungsleiter*) at KPMG in 1992. In 1995, he was promoted to Supervisor (*Prüfungsmanager*) at KPMG S.p.A. Milan, Italy. In 1999, he moved to Hugo Boss AG in Metzingen, Germany, as the Head of Group Consolidation. In 2001, he joined the Company as Director Accounting and was promoted to Vice President Controlling of the Company in 2004. Since 2009, he has been a member of the Executive Board with responsibility for Finance and IT. In 2015, he was appointed as the deputy chairperson and member of the Executive Board with responsibility for Finance and IT. Since 2020, he has also been a member of the executive board of Porsche SE with responsibility for investment management.

Barbara Frenkel

Barbara Frenkel was born in 1963 in Hof (Saale), Germany. After graduating from high school with A level certificate of education (*Abitur*) in 1982, she commenced studies in chemistry at Bayreuth University, Germany, and rubber technology at the Hannover University, Germany, in the same year. In 1984, she took over various functions in development, production, sales and quality assurance at Helsa-Werke in Gefrees, Germany. In 1997, she became the Quality Auditor at Valeo Thermal Systems in Rodach, Germany. In 1999, she became the Manager Supplier Development Europe at TRW Automotive in Alfdorf, Germany. In 2001, she moved to the Company and became the Company's Director of Quality Systems and Methods. In 2006, she took over the position of the Company's Director of Central Training. In 2013, she became the Company's Vice President of Sales Network Management & Development. In 2017, she then was elected the Company's Vice President of Region Europe. In 2019, she was elected as a member of the Supervisory Board. Since 2021, she has been an appointed member of the Executive Board with responsibility for Procurement.

Andreas Haffner

Andreas Haffner was born in 1965 in Wadern, Germany. After graduating from high school with A-level certificate of education (*Abitur*) in 1985, he commenced studies in law at the University of Konstanz, Germany, and concluded his law studies in 1991 with the first state examination. In 1992, he concluded his master's studies and received a Master of Laws (LL.M.) at the Duke University in Durham, United States of America. In 1994, he became the Head of Labour Law of the Company. In 1995, he concluded his legal clerkship (*Referendariat*) with the second state examination. In 1997, he was promoted to the Head of Subsidiaries and International Assignments of the Company in Stuttgart, Germany, and became its Vice President of Human Resources R&D in Weissach, Germany, in 2000. In 2008, he became the Vice President of Human Resources and Organisation of Porsche SE in Stuttgart, Germany. In 2011, he became the Head of Group Human Resources Top Management International of the Volkswagen Group in Wolfsburg, Germany. In 2011, he also became the Head of Group Human Resources Top Management of the Volkswagen Group in Wolfsburg, Germany. Since 2015, he has been a member of the Executive Board with responsibility for Human Resources.

Detlev von Platen

Detlev von Platen was born in 1964 in Orléans, France. After graduating from high school with A-level certificate of education (*Abitur*) in 1982 in Orléans, France, with specialization in mathematics he graduated with an MBA in Sales, Management and Finance in Poitiers, France, in 1987. Then he took over the position of Director of Marketing for the Motorcycle Division at BMW France SA, St. Quentin-en-Yvelines in 1988. In 1991, he moved to Munich and was promoted to Area Director Export Asia/Africa at BMW Motorcycle GmbH & Co. KG. Two years later, he became Director of Communications at BMW M GmbH. In 1994, he took over the position of Project Leader in the Department of International Marketing Transfer at BMW AG. In 1997, he moved to Sonauto SA (Porsche Importer) in Cergy-Pontoise, France, as Porsche Brand Managing Director. In 1999, he was appointed as Chief Executive Officer of Porsche France SA in Paris and in 2008, he was promoted to President and CEO of Porsche Cars North America, Inc. in Atlanta. Since 2015, he has been a member of the Executive Board with responsibility for Sales and Marketing.

Albrecht Reimold

Albrecht Reimold was born in 1961 in Oehringen, Germany. From 1977 to 1980, he completed his education as toolmaker. In 1987, he graduated from the Technical College of Heilbronn, Germany, with a degree in engineering production technology. He joined a trainee program at Audi in Neckarsulm, Germany, in 1987 and in 1988 he took over different functions at Audi in Neckarsulm, Germany. In 1990, he attended the training and testing institute of Welding Technologies in Mannheim, Germany, and graduated as a Welding Engineer. In 1990, he became the assistant to the plant management at Audi in Neckarsulm, Germany. In 1993, he was promoted to the Head of Manufacturing Body Construction Audi A8 (*Leiter Karosseriebau Audi A8*) at Audi in Neckarsulm, Germany. In 1998, he was promoted to the Head of Production Segment Audi A2 (*Leiter Fertigungssegment Audi A2*) at Audi in Neckarsulm, Germany. In 2002, he joined the Task Force Team Lamborghini Gallardo at Audi in Sant' Agata Bolognese, Italy. In 2003, he was promoted to the Head of Production Planning of C- and D-Type and sports car R8 at Audi in Neckarsulm, Germany. In 2009, he was appointed as the Plant Director at Audi in Neckarsulm, Germany. From 2012 to 2016, he was the chairperson and a member of the executive board with responsibility for Technology at Volkswagen Slovakia in Bratislava, Slovakia. Since 2016, he is a member of the Executive Board with responsibility for Production and Logistics.

Dr. Michael Steiner

Dr. Michael Steiner was born in 1964 in Tübingen, Germany. After graduating from high school with A-level certificate of education (*Abitur*) in 1983 in Lindau (Lake Constance), Germany, he commenced studies in mechanical engineering at the Technical University of Munich, Germany, in 1985. In 1991, he became a scientific assistant at the ZF-Passau & Technical University Munich, Germany. In 1995, he was promoted to the Head of Product Concepts niche vehicle (*Leiter Produktkonzepte Nischenfahrzeuge*) at Mercedes-Benz AG. In 1997, he was promoted to the Head of Strategy Team Chassis small Production Series (*Leiter Strategieteam Karosserie kleine Baureihen*) at Daimler AG and in 1998, to Daimler AG's Head of Product Controlling Mercedes A-Class. In 2000, he took over the position of the Strategic Project Manager A/B-Class at Daimler AG. In 2002, he joined the Company as its Vice President of Innovation/Concepts/CAE. From 2002 to 2005, he was also the Executive Vice President of Customer Development of Porsche Engineering Group GmbH/Porsche Engineering Services. In 2005, he was elected as the Company's Vice President of the Panamera series. In 2011, he was elected as the Company's Vice President of Overall Vehicle Development/ Quality. Since 2016, he has been an appointed member of the Executive Board with responsibility for Research and Development. Since September of 2022, he is the head of the group development division and a member of the extended executive committee of the Volkswagen Group and also a member of the supervisory board of CARIAD SE.

All members of the Executive Board may be reached at the Company's offices at Porscheplatz 1, 70435 Stuttgart, Germany (telephone +49 711 911 0).

The following overview lists all of the companies and enterprises in which the members of the Executive Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and companies within the Group:

Dr. Oliver Blume	Current seats: • Chairperson of the executive board of Volkswagen AG • Deputy chairperson of the supervisory board of Bugatti Rimac d.o.o. • Chairperson of the supervisory board of CARIAD SE • Chairperson of the board of trustees of Ferry-Porsche-Stiftung • Member of the board of trustees at Tongji University, Shanghai • Member of the senate of Frauenhofer Gesellschaft • Member of the university council of the Technical University of Braunschweig, Germany Past seats: • Member of the board of directors of Bentley Motors Limited • Member of the supervisory board of SEAT S.A. • Managing director of Porsche Holding Stuttgart GmbH
Lutz Meschke	Current seats: • Managing director of Porsche Beteiligung GmbH • Managing director of Porsche Zweite Beteiligung GmbH • Managing director of Porsche Dritte Beteiligung GmbH • Managing director of Porsche Vierte Beteiligung GmbH • Managing director and sole shareholder of LuMe Wilder Kaiser GmbH (limited liability company for personal asset management) • Member of the executive board of Porsche Automobil Holding SE • Member of the management board of Deutsches Aktieninstitut e.V. • Member of the supervisory board of Bugatti Rimac d.o.o. • Member of the supervisory board of Rimac Group d.o.o. • Chairperson of the supervisory board of HHL gGmbH (Leipzig Graduate School of Management) • Member of the supervisory board of SV Stuttgarter Kickers e.V. • Member of the advisory board of European Transport Solutions S.à r.l. • Member of the advisory board of e.ventures Europe V GmbH & Co. KG • Member of the advisory board of e.ventures US V. L.P. • Member of the advisory board of Landesbank Baden-Württemberg • Member of the advisory committee of NIO Capital, Eve One L.P.

- Member of the board of trustees of Ferry-Porsche-Stiftung
- Member of the board of trustees of Stiftung Olympia Nachwuchs
- Member of the board of trustees of Ludwigsburger Schlossfestspiele
- Member of the board of trustees of Förderkreis Betriebswirtschaft an der Universität Stuttgart e.V.

Past seats:

- Member of the board of directors of Bentley Motors Limited
- Chairperson of the supervisory board of PTV Planung Transport Verkehr AG
- Deputy chairperson of the supervisory board of Volkswagen Bank GmbH
- Chairperson of the audit committee of Volkswagen Bank GmbH
- Managing director of Porsche Holding Stuttgart GmbH

Barbara Frenkel

Current seats:

- Member of the automotive supply chain committee of Verband der Automobilindustrie e.V.
- Corporate Membership of the Company at Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. and Corporate Membership of the Company at Institut für Beschaffung AutoUni VW

Past seats:

- None

Andreas Haffner

Current seats:

- Member of the management board of Landesverband BaWü-Industrie
- Member of the management board of Südwestmetall
- Member of the board of trustees of Ferry-Porsche-Stiftung
- Member of the board of trustees of Bürgerstiftung Stuttgart
- Member of the board of trustees of Bristol Myers Squibb Stiftung
- Member of the university council of University of Reutlingen

Past seats:

- None

Detlev von Platen

Current seats:

- Managing director of Lazura Beteiligungsgesellschaft mbH in its capacity as general partner of Lazura GmbH Co. KG (Aircraft Charter Company)

Past seats:

- None

Albrecht Reimold

Current seats:

- Member of the supervisory board of KS HUAYU AluTech GmbH
- Member of the supervisory board of VW Osnabrück
- Member of the automotive production committee of VDA

Past seats:

- None

Dr. Michael Steiner

Current seats:

- Member of the supervisory board of CARIAD SE
- Member of the board of directors of Group14 Technologies
- Member of the board of directors of HIF Global LLC
- Member of the board of trustees of Max Planck Institut for Intelligent Systems
- Member of the board of trustees of Forschungsinstitut für Kraftfahrwesen und Fahrzeugmotoren Stuttgart

Past seats:

- None

18.2.3 Remuneration and other benefits of the members of the Executive Board

The supervisory board determines the overall remuneration of the individual members of the executive board and has to ensure pursuant to Section 87 para. 1 sentence 1 AktG that the overall remuneration of the individual members of the executive board (salary, profit-sharing, expense allowances, insurance premiums, commissions, incentive-based remuneration commitments such as, for example, stock options and collateral performance of any kind) is appropriate in relation to the tasks and performance of the members of the executive board and to the economic situation of the company and that, unless particular reasons so require, the customary remuneration is not exceeded. For listed German stock corporations, the components of the remuneration are to be oriented towards the promotion of a sustainable and long-term development of the company (cf. Section 87 para. 1 sentence 2 AktG). Pursuant to Section 87a para. 1 AktG, the supervisory board of a listed German stock corporation shall adopt a clear and comprehensible system for the remuneration of the members of the executive board. Section 87 AktG provides for the substantive legal requirements and Section 87a AktG for the formal legal framework of the remuneration for the members of the executive board.

18.2.3.1 *Current remuneration of the members of the Executive Board*

Prior to the Admission to Trading of the Preferred Shares, the Company was not obligated to maintain a remuneration system according to Section 87a para. 1 AktG. However, the Supervisory Board maintained a standardized, established remuneration practice for the members of the Executive Board. The service agreements for the members of the Executive Board refer to this remuneration practice with standardized terms and conditions. The provisions currently in force shall be replaced by a remuneration system in compliance with Sections 87, 87a AktG as of January 1, 2023, as further described under "*18.2.3.2 New Remuneration System*".

The current remuneration of the members of the Executive Board provides for fixed and variable remuneration components. The fixed remuneration comprises of the annual basic remuneration, participation in a company pension scheme, non-monetary components and fringe benefits. The variable remuneration comprises of the annual bonus and the long-term bonus.

The chairperson of the Executive Board, Dr. Oliver Blume, currently receives remuneration under his service agreement with Volkswagen AG only (for details see "*18.2.3.3 Members of the Executive Board with board memberships outside the Group*").

Fixed Remuneration, non-performance-based

Annual basic remuneration: The annual basic remuneration comprises a fixed basic salary, which is paid in cash in 12 monthly installments. As of the date of the Prospectus, the annual basic remuneration amounts to EUR 660,000 for the deputy chairperson and to EUR 693,000 for the regular members of the Executive Board. The basic remuneration is reviewed by the Supervisory Board on a regular basis. Additionally, for being deputy chairperson of the Executive Board, the deputy chairperson receives an annual lump sum of EUR 1,000,000, which is paid out jointly with the variable remuneration at the beginning of the next financial year (usually in April). The chairperson of the Executive Board currently receives remuneration only from Volkswagen AG.

Company pension scheme: Members of the Executive Board are entitled to a company pension borne by the Company. The current company pension scheme for members of the Executive Board encompasses a defined benefit commitment. In case of retirement, the monthly pay-outs under the company pension scheme amount to up to 40% of the monthly instalment of the annual basic remuneration based on the annual basic renumeration of the reference date December 31, 2021, depending on the length of service. The current company pension scheme includes benefits for surviving dependents as well as for reduced earning capacity. The regular pension due to age shall be paid after the retired member of the Executive Board has reached the age of 65. The chairperson of the Executive Board currently receives pension benefits only from Volkswagen AG.

Non-monetary components and fringe benefits: Additionally, monetary and non-monetary benefits are granted to the members of the Executive Board, such as annual paid holiday, the continuance of the remuneration for certain periods in case of incapacity to work due to illness or death and other customary fringe benefits (mainly contributions to insurances (*e.g.*, accident, travel baggage and D&O) and expenses assumed by the Company for the provision of company cars). Members of the Executive Board may participate in the deferred compensations program—a company pension scheme operated by the Company for its employees. Upon request of a member of the Executive Board, an amount subject to supervisory board approval of the respective variable remuneration is deferred under this program. The Company pays interests between 3% (for current contributions) and up to 6% (for historic contributions) on the deferred capital. Furthermore, the Company provides compensation for tax disadvantages of members of the Executive Board arising from double taxation.

In the event, a member of the Executive Board is subject to double taxation up to a maximum amount of EUR 75,000 per calendar year. Also, the Company pays the locally incurred taxes in the event of double taxation due to Executive Board activities at locations abroad with a permanent establishment of the Company. The chairperson currently receives non-monetary components and fringe benefits only from Volkswagen AG.

Severance Payment: In the event of revocation and termination of the service agreement without good cause by the Company, members of the Executive Board will be paid a severance payment in an amount equal to the gross remuneration for the remaining term of the service agreement, but not exceeding two gross annual incomes (a so-called severance payment cap), as compensation for all future claims against the Company and other companies of the Volkswagen Group.

Variable Remuneration, performance-based

The variable, performance-based remuneration of the members of the Executive Board is intended to reward performance and, with its short- and long-term bonus, to support the sustainable and value-creating long-term development of the Volkswagen Group. The variable remuneration comprises the annual bonus and the long-term bonus in form of a virtual performance share plan.

Annual bonus: The annual bonus is determined by the Supervisory Board at its reasonable discretion and is based on target achievements during a financial year in accordance with the applicable conditions. Subject to the fulfilment of all conditions, the target amount for 100% target achievement currently is EUR 435,000 for the deputy chairperson and EUR 630,000 for each of the other regular members of the Executive Board. The chairperson of the Executive Board currently receives remuneration only from Volkswagen AG. The Supervisory Board may provide for malus and clawback rules for the reduction or complete waiver of the annual bonus and for the subsequent reclaiming of an annual bonus already paid out in the event of a misconduct (including breach of supervisory or organizational duties).

As of the date of the Prospectus the following determinations apply to the annual bonus:

The assessment of the target achievement is based on the development of financial performance targets, which are (i) the average return on sales of Volkswagen Group and the average Return on Sales of Porsche and (ii) the average automotive return on investment of Volkswagen Group and the average Automotive Return on Investment of Porsche, each of which weighted with 25%. For each of these financial performance targets, threshold values that represent 50%, 100% and 150% of the target achievement apply. The annual bonus is calculated on the basis of the actual achievement of these performance targets while an achievement below the 50% threshold, is deemed to be 0%.

In addition, malus and clawback rules apply (see below "*Claw Back Provisions*").

Long-term bonus: The long-term bonus is determined by the Supervisory Board at its reasonable discretion and is based on target achievement during a three-year performance period. Subject to the determination of the fulfillment of all conditions, the target amount for 100% target achievement currently is EUR 653,400 for the deputy chairperson and EUR 945,000 for the regular members. The chairperson of the Executive Board currently receives remuneration only from Volkswagen AG. The payout under the long-term bonus is capped at 200% of the target amount. The Supervisory Board may provide for malus and clawback rules for the reduction or complete waiver of the long-term bonus and for the subsequent reclaiming of a long-term bonus already paid out in the event of misconduct (including breach of supervisory or organizational duties).

As of the date of the Prospectus, the following determinations apply to the long-term bonus which is operated in form of a virtual performance share plan:

At the beginning of each performance period, the members of the Executive Board are granted a certain number of notional shares (performance shares). The initial number of such performance shares is calculated on the basis of the individual target amount and the average share price of the Preferred Shares of Volkswagen AG. At the end of the performance period, the initial number of performance shares is adjusted according to the average achievement of the target earnings per share ("**EPS**") of Volkswagen AG during the performance period. For that purpose, threshold values for the EPS that represent 50%, 100% and 150%, of the target achievement apply. A target achievement of more than 150% is not taken into account. The payout under the performance share plan is calculated on the basis of the adjusted number of performance shares and the average share price of the Preferred Shares of Volkswagen AG, taking into account the total amount of dividends paid by Volkswagen AG during the relevant performance period on its Preferred Shares.

In case the average capital expenditure ratio or the average rate for investments in developments of Volkswagen Group falls short of 5% of the revenues of the automobile division, the payout is reduced by 20%. In addition, malus and clawback provisions apply (see below "*Claw Back Provisions*").

For the years ended December 31, 2021 and ending December 31, 2022, a performance protection applies to the long-term bonus: In 2021, the total cash remuneration (the annual basic remuneration and the variable remuneration components) shall be at least 90% and, in 2022, the total cash remuneration shall be at least 80% of the total cash remuneration paid for the financial year 2019 ("**Guaranteed Amounts**"). The difference between the Guaranteed Amounts and the annual basic renumeration and the annual bonus of the respective year shall be paid at the time the respective annual bonus becomes payable. After the end of the performance period of the respective long-term bonus, the Executive Board members shall receive the difference amount by which total cash remuneration in 2021 and 2022 calculated on the basis of the actual achievement of the performance targets exceeds the respective Guaranteed Amount. The Guaranteed Amounts may not be reclaimed if the total cash remuneration in 2021 or 2022 (calculated on the basis of the actual achievement of the performance targets) falls short of the Guaranteed Amounts.

The performance share plan provides for bad leaver provisions, where the performance shares forfeit under certain circumstances and early payout in case of permanent disability or death. The terms of the performance share plan may also be adjusted in case of extraordinary events, such as significant M&A activities, material changes in the shareholder structure, the regulatory environment or accosting methods and will be adjusted in the event of capital or structural measures during a performance period.

Claw Back Provisions

The annual bonus and the long-term bonus are subject to claw back rules that apply to the calculation of the payout amounts as well as to the subsequent reclaiming of bonuses already paid out in the event of misconduct.

According to the claw back rules, the Supervisory Board may, at its reasonable discretion, reduce the payout of variable remuneration by up to 100% in the event of relevant misconduct by a member of the Executive Board. In the event a relevant misconduct is discovered following the payout, the Supervisory Board, at its reasonable discretion, is entitled to reclaim the payout amount, provided the relevant misconduct—if known already prior to the payout—would have entitled the Company to reduce the payout by 100%.

Individual misconduct such as discrimination, harassment or breaches of duty or organizational misconduct, in particular violation of supervisory and organizational duties by the members of the Executive Board, may constitute relevant misconduct pursuant to the claw back rules.

Historic remuneration granted

Prior to its Admission to Trading, the Company was not obligated to disclose the individual renumeration for the members of the Executive Board for the year ended December 31, 2021.

For information on the remuneration of the members of the Executive Board in the financial year ended December 31, 2021, see Note 41 "*Related Parties*" of the Audited 2021 Consolidated Financial Statements included in this Prospectus and for further information on the long-term bonus, see Note 40 "*Remuneration Based on Performance Shares* (*Share-Based Payment*)" of the Audited 2021 Consolidated Financial Statements included in this Prospectus.

18.2.3.2 *New Remuneration System*

Pursuant to Section 87a para. 2 AktG, the supervisory board of a listed German stock corporation determines the remuneration for the members of the executive board in accordance with the remuneration system for the members of the executive board as presented to the general meeting of the company. Such remuneration system is prepared and resolved upon by the supervisory board and presented to the listed German stock corporation's general meeting, which resolves pursuant to Section 120a AktG on the approval of the remuneration system presented by the supervisory board whenever there is a significant change in the remuneration system, but at least every four years.

In this respect, on July 15, 2022 in conjunction with September 14, 2022 the Supervisory Board resolved on the terms of a remuneration system for the members of the Executive Board (the "**New Remuneration System**"). The New Remuneration System shall apply from January 1, 2023 onwards and it is intended to present it to the 2023 annual General Meeting of the Company for approval.

In addition, the Supervisory Board intends to agree with all members of the Executive Board new service agreements becoming effective as of January 1, 2023 for the remainder of the term of each Executive Board member's appointment. The new service contracts will reflect the provisions of the New Remuneration System, including the new company-related performance targets for the variable remuneration. However, it is not intended to replace or amend existing entitlements of the members of the Executive Board under the long-term bonuses granted already in 2021 and 2022, the performance periods of which last until December 31, 2023 and 2024 (respectively).

Under the new service agreement with the Company, each member of the Executive Board receives a total remuneration which comprises the fixed annual basic remuneration, participation in a company pension scheme, variable performance-based remuneration components in the form of a short- and a long-term incentive and non-monetary components and fringe benefits. In the service agreements, an annual target and maximum amount of the annual total remuneration (including the fringe benefits, other taxable benefits and pension contributions) will be defined in line with the terms of the New Remuneration System.

According to the New Remuneration System, the annual target remuneration comprising the fixed annual basic remuneration and variable performance-based remuneration is EUR 5,600,000 for the chairperson of the Executive Board, EUR 3,882,353 for the deputy chairperson and EUR 2,773,333 for the regular members of the Executive Board. The maximum amount for the annual remuneration comprising the annual basic remuneration, variable performance-based remuneration, participation in the company pension scheme and the non-monetary benefits and fringe benefits amounts to EUR 10,000,000 for the chairperson of the Executive Board, to EUR 6,000,000 for the deputy chairperson and to EUR 5,000,000 for the regular members of the Executive Board. The target remuneration and the maximum renumeration refer generally to 100% working capacity for the Company. In case of the chairperson and the deputy chairperson of the Executive Board, these amounts (except the maximum amount for the deputy chairperson) will be reduced by a certain percentage to reflect their commitments outside of Porsche, which is described in section "*18.2.3.3 Members of the Executive Board with board memberships outside the Group*".

Fixed Remuneration, non-performance-based

Annual basic remuneration: The basic remuneration will be paid in cash in 12 monthly instalments. The annual fixed basic remuneration for the chairperson of the Executive Board amounts to EUR 1,600,000, for the deputy chairperson to EUR 1,117,647 and for the regular members of the Executive Board to EUR 800,000 (based on 100% working capacity).

Company pension schemes: It is intended to offer newly appointed members of the Executive Board as well as members of the Executive Board whose contracts are to be renewed a contribution-related pension scheme. An amount equal to 40% of the Executive Board member's individual annual basic remuneration shall be contributed by the Company to the pension scheme. The pension scheme may include benefits for surviving dependents as well as for reduced earning capacity. Current members of the Executive Board, who are already entitled to a company pension pursuant to the provisions of their existing service agreements, may decide to keep their existing company pension for the remaining term of their current appointment as Executive Board members. In this case, the contributions to the existing pension scheme will not be increased according to the increase of the fixed remuneration as of January 1, 2023. This does not preclude future increases of the basis of the calculation for the company pension.

Non-monetary components and fringe benefits: Additionally, monetary and non-monetary benefits are granted to the members of the Executive Board, such as annual paid holiday, continuance of the remuneration for certain periods in case of incapacity to work due to illness or death and other customary fringe benefits (mainly contributions to insurances (*e.g.*, accident, travel baggage and D&O), expenses assumed by the Company for security services and the provision of company cars). Members of the Executive Board may participate in the deferred compensations programme—a company pension scheme operated by the Company for its employees. Upon request of a member of the Executive Board, an amount up to EUR 1,000,000 of the respective variable remuneration is deferred under this programme. The Company currently pays on contribution an interest of 3% on the deferred capital. Furthermore, the Company provides compensation for tax disadvantages of members of the Executive Board arising from double taxation up to a maximum amount of EUR 75,000 per calendar year. Also, the Company pays the locally incurred taxes in the event of double taxation due to Executive Board activities at locations abroad with a permanent establishment.

Variable Remuneration, performance-based

The variable remuneration of the members of the Executive Board is intended to reward performance and, with its short- and long-term incentive, to support the sustainable and value-creating long-term development of Porsche. The variable remuneration components comprise a short-term incentive ("**STI**") and a long-term-incentive ("**LTI**") in form of a virtual performance share plan.

At their respective target amounts, the variable remuneration component for the members of the Executive Board shall range between 55% and 70% of their respective target total remuneration. The STI target amount shall represent between 20% and 30% of the respective target total remuneration. The LTI target amount shall represent between 30% and 45% of the respective target total remuneration.

Short term incentive (STI): The STI is a performance-based bonus with a performance period of one year and entitles the members of the Executive Board to an annual cash payment. The payout under the STI shall be determined by the Supervisory Board based on the achievement of certain targets in the relevant financial year. Subject to the determination of the fulfilment of all conditions, the target amount for 100% target achievement amounts to EUR 1,600,000 for the chairperson of the Executive Board, to EUR 1,117,647 for the deputy chairperson and to EUR 800,000 for regular members of the Executive Board (in each case based on a working capacity of 100%). Target achievement is based on the development of the financial performance targets, which are the Return on Sales and Automotive Return on Investment of Porsche, each of which is weighted with 50%. In addition, the payout under the STI depends on the achievement of the environmental, social and governance targets by means of a multiplying factor (the "**ESG Factor**").

The Supervisory Board shall annually determine a threshold, a target and a maximum value representing 50%, 100% and 200% (respectively) of the target achievement in relation to the Return on Sales and a threshold, a target and a maximum value representing 50%, 100% and 150% (respectively) of the target achievement in relation to the Automotive Return on Investment. Values below the respective threshold value represent a target achievement level of 0%. Linear interpolation is used to determine the values between the threshold values and target values and between the target values and the maximum values. Target achievements beyond the respective maximum value will not increase the target achievement level.

The ESG Factor is based on an environmental sub-target, social sub-targets and a compliance and integrity factor which are determined annually by the Supervisory Board. According to the terms of the New Remuneration System, the decarbonisation index shall be the environmental sub-target, carrying a weighting of 50%; the gender quota and customer excitement index shall be the social sub-targets, carrying a weighting of 25% each. Together, the environmental and social sub-targets result in a multiplying factor. The Supervisory Board shall annually determine a threshold, a target and a maximum value representing a factor of 0.7, 1.0 and 1.3 for the achievement of the environmental and social sub-targets. Linear interpolation is used to determine the values between the minimum value and the target value and between the target value and the maximum value. In addition, at the end of each financial year the Supervisory Board shall determine the second factor compliance and integrity with an achievement range between 0.9 and 1.1 representing the governance of both the Executive Board and the individual member of the Executive Board. The Supervisory Board is entitled, at its reasonable discretion, to replace individual ESG sub-targets or the ESG criteria determined for future financial years if, in its view, other ESG sub-targets or ESG criteria appear to be more appropriate to reflect developments in environment, social and governance issues and to incentivize the members of the Executive Board accordingly.

The overall ESG Factor is determined by multiplying the sub-target factor for environmental and social targets (between 0.7 and 1.3) on the one hand and the governance factor (between 0.9 and 1.1) on the other hand.

The pay-out under the STI is calculated by multiplying the respective Executive Board member's individual target amount with the overall financial target achievement level and the ESG Factor. The payout under the STI is capped at a maximum of 180% of the individual target amount. The pay-out under the STI is also subject to malus and clawback rules (see below "*Malus and Clawback*") which may lead to a reduction or complete forfeiture of the STI, or the clawing back of an STI that has already been paid out.

Should an extraordinary event or development occur (*i.e.*, a merger of the Company, material changes in the shareholder structure, or certain capital or structuring measures of the Company), the Supervisory Board shall be entitled to adjust the terms of the STI at its reasonable discretion.

Long-Term-Incentive (LTI): The LTI is granted annually in the form of a virtual performance share plan with a four-year performance period, starting on the beginning of the first financial year of the performance period for which it is granted. The financial performance target is the EPS of the Company. The individual target amount for 100% target achievement for the chairperson of the Executive Board amounts to EUR 2,400,000, to

EUR 1,647,059 for the deputy chairperson and to EUR 1,173,333 for regular members of the Executive Board (in each case based on 100% working capacity). The payout under the LTI is capped at 200% of the respective target amount.

At the beginning of each performance period, the Executive Board members are allocated a certain number of notional shares (performance shares). The initial number of such performance shares is calculated by dividing the individual target amount by the average XETRA closing price of the Preferred Shares of the Company on the last 30 trading days of the financial year immediately preceding start of the relevant performance period.

The Supervisory Board determines the target values for the EPS at the beginning of each performance period, that range between a threshold value representing a target achievement level of 50% and a maximum value representing a target achievement level of 150%. A target achievement below the threshold value constitutes a target achievement level of 0%. Linear interpolation is used to determine the values between the threshold values and target values and between the target values and the maximum values. Target achievements beyond the respective maximum value will not increase the target achievement level.

The initial number of performance shares will be adjusted at the end of a performance period by the average achievement level of the target EPS during the performance period. The payout under the performance share plan is calculated by multiplying the total number of the unconditionally awarded performance shares with the sum of (i) the average XETRA closing price of the Preferred Shares of the Company on the last 30 trading days of the relevant performance period and (ii) the total amount of dividends paid by the Company during the relevant performance period on its Preferred Shares. The payout under the LTI is also subject to malus and clawback rules (see below "*Malus and Clawback*") which may lead to a reduction or complete forfeiture of the LTI, or the clawing back of an LTI that has already been paid out.

In case of extraordinary events or developments, for example a merger of the Company, material changes in the shareholder structure, or certain capital or structuring measures of the Company, the Supervisory Board shall be entitled to adjust the terms and conditions of the Performance Share Plan in its reasonable discretion. In a "bad leaver case" as defined in the respective performance share plan (in particular, but not limited to, in case of a dismissal for a cause of a member of the Executive Board by the Company), all of the performance shares of an ongoing performance period shall be forfeited and not be replaced or compensated.

Further determinations in the Remuneration System

Deterioration of the Economic Situation of the Company: Pursuant to Section 87 para. 2 sentence 1 AktG, the Supervisory Board shall adjust the remuneration paid to the Executive Board members in case of a deterioration of the economic situation of the Company where a continued granting of the remuneration would be inequitable for the Company. Pensions, surviving dependents' pension benefits, and benefits of a similar nature may, however, only be reduced in the first three years following the date on which the member of the Executive Board ceases to be a member of the Executive Board. Such reduction shall not affect the service relationship of the respective member of the Executive Board in any other regard. However, the members of the Executive Board may terminate their employment agreement with effect as per the end of the following calendar quarter, observing a period of notice of six weeks.

Malus and Clawback: According to Section 87a para. 1 sentence 2 no. 6 AktG, the New Remuneration System specifies malus and clawback clauses to be included in the individual service agreements of the Executive Board members. The malus clauses entitle the Supervisory Board to, at its reasonable discretion, reduce the payout of variable remuneration by up to 100% in the event of relevant misconduct by the member of the Executive Board during the performance period relevant for the determination of the variable remuneration. The clawback clauses entitle the Supervisory Board to, at its reasonable discretion, claw back the gross payout in full if a misconduct becomes known or is discovered at a later date and this misconduct would have justified a 100% reduction of the respective variable component had it been known initially. For the LTI, this applies to each assessment period in which the year of the malus event falls. A clawback is excluded if more than three years have passed since the variable remuneration component was paid.

Relevant misconducts consist of (i) individual misconduct, such as discrimination, harassment or breaches of duty or (ii) organizational misconduct, in particular violation of supervisory and organizational duties by the members of the Executive Board.

Severance Payment: In case the service agreement with a member of the Executive Board is terminated prematurely (*i.e.*, before the agreed term has ended) without cause pursuant to Section 626 para. 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), the value of the payments (including fringe benefits) paid to the respective member of the Executive Board must not exceed 200% of the total annual remuneration, and in no case the total remuneration for the remaining term of the service agreement.

18.2.3.3 *Members of the Executive Board with board memberships outside the Group*

Dr. Oliver Blume, the chairperson of the Executive Board, who is also chairperson of the executive board of Volkswagen AG, currently receives his entire remuneration from Volkswagen AG (fixed and variable components) while the remuneration entitlements under his service agreement with the Company are dormant. This situation will remain unchanged for the remainder of 2022. It is anticipated that as of January 1, 2023 Dr. Oliver Blume will enter into a new service agreement with the Company for the remaining term of his current appointment as member of the Executive Board, which reflects the terms of the New Remuneration System (see above section "*18.2.3.2 New Remuneration System*"). Under this new service agreement, from January 1, 2023 onwards, Dr. Oliver Blume will receive 50% of the remuneration for the chairpersonship of the Executive Board, reflecting his actual working capacity for the Company. Correspondingly, from January 1, 2023, his remuneration entitlement against Volkswagen AG will be reduced to the equivalent of 50% working capacity. Under his service agreement with Volkswagen AG, Dr. Oliver Blume continues to be entitled to a variable remuneration with an annual total target amount of EUR 6,875,000 (based on 100% working capacity), which depends on the performance of certain Volkswagen Group performance targets, the share price of the Volkswagen AG preferred shares and the dividends paid per share.

Furthermore, Dr. Oliver Blume will receive fringe benefits from Volkswagen AG and shall not be entitled to fringe benefits from the Company. Company pensions on the other hand shall be granted from both, Volkswagen AG and the Company. Dr. Oliver Blume receives contributions to a company pension scheme in the amount of 40% of his annual fixed remuneration from Volkswagen AG. In addition, Dr. Oliver Blume will be entitled to the Company's pension scheme as laid down above as of January 1, 2023 (based on his actual working capacity of 50%).

Lutz Meschke, the deputy chairperson of the Executive Board, who is also member of the executive board of Porsche SE, currently receives remuneration from Porsche SE for his service on the executive board of Porsche SE besides his remuneration from the Company. The remuneration from Porsche SE includes an annual basic remuneration and variable components (short-term and long-term), fringe benefits and company pensions. It is anticipated that, as of January 1, 2023, Lutz Meschke will enter into a new service agreement with the Company for the remaining term of his appointment as member of the Executive Board, which reflects the terms of the New Remuneration System (see above section "*18.2.3.2 New Remuneration System*"). Under this new service agreement, from January 1, 2023 onwards, Lutz Meschke will—considering that he will not dedicate his full working capacity to the Company—receive 85% of the total remuneration the Supervisory Board of the Company deems to be fair and adequate for a deputy chairperson of the Executive Board and CFO of the Company.

The continuing remuneration from Porsche SE includes an annual basic remuneration and variable components (short-term and long-term). The variable remuneration components from Porsche SE take into account annually reviewed performance criteria of Porsche SE (including ESG aspects) and the individual performance of the members of the executive board of Porsche SE.

18.2.3.4 *Executive IPO-Bonus*

In order to promote the service of the members of the Executive Board associated with the IPO of the Company and their commitment to the successful outcome of this project, the Supervisory Board intends to grant the Executive Board members a special bonus (the "**Executive IPO Bonus**"). The Executive IPO Bonus is subject to the condition of a successful IPO until midnight June 30, 2023 and to the condition of the conclusion of a service agreement with the respective member of the Executive Board reflecting the provisions of the New Remuneration System until December 31, 2022. The Executive IPO Bonus shall be implemented as a virtual performance share plan with a three-years performance period. On close of the day of the first trading of the Preferred Shares, a certain number of notional shares will be allocated to each Executive Board member. The number of such notional shares will be calculated on the basis of the individual allocation value of each member of the Executive Board and the closing price of the Preferred Shares in the XETRA trading of Frankfurt Stock Exchange on the first day of trading. The allocation value will be determined by the market capitalization of the Preferred Shares of the Company calculated on the basis of the final Offer Price and ranges between EUR 1,050,000 and EUR 3,150,000 for the chairperson of the Executive Board and between EUR 600,000 and EUR 1,800,000 for other Executive Board members. The target allocation value for the chairperson amounts to EUR 2,100,000 and for Executive Board members EUR 1,200,000. The allocated number of notional shares will be divided into three identical tranches. The tranches will be disbursed on the first, second and third anniversary of the first day of trading. The payout will be determined on the basis of the average XETRA closing price of the Company's Preferred Shares in the 30 trading days prior to each of the anniversaries. The minimum payout for each tranche shall be 70% of one third of the individual allocation value and the payout under each tranche shall be capped at 150% of one third of the individual allocation value. The overall Executive IPO Bonus shall be capped at EUR 4,725,000 for the chairperson and at EUR 2,700,000 for regular members of the Executive Board.

18.2.3.5 *General Rules on Termination of Executive Board Membership and Service Agreements*

The revocation of the appointment as a member of the Executive Board is subject to restrictions under statutory law and requires "good cause" pursuant to Section 84 para. 4 AktG. In case of a revocation of the appointment as member of the Executive Board which is based on good cause, but which does not at the same time constitute cause pursuant to Section 626 para. 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), the service agreement ends after a 12 month period as of the revocation. Should the term of the service agreement end within the 12 month period, the service agreement shall end upon the agreed term. Unless agreed otherwise, the same shall apply in case the appointment ends by mutual agreement between the member of the Executive Board and the Company.

If the appointment of a member of the Executive Board has ended prematurely, the Company is entitled to release the respective member of the Executive Board from his/her duty to perform services until the end of the service agreement. During such period of release, the member of the Executive Board will continue to receive remuneration until the end of the service agreement. Any other earnings that the member of the Executive Board generates through utilization of his working capacity during the release period will be generally offset.

18.2.3.6 *D&O Insurance*

The Executive Board and Supervisory Board members are covered by a liability insurance with regard to their management activities. The insurance coverage is concluded for one-year terms and covers personal liability for financial loss associated with performing the respective activity. The terms of the insurance coverage provide for a deductible/retention that conforms to the requirements of the AktG.

18.2.3.7 *Shareholdings and Stock Options of the Members of the Executive Board in the Company*

As of the date of this Prospectus, no member of the Executive Board directly or indirectly holds Company shares or options over Company shares.

Certain members of the Executive Board of the Company hold shares in Volkswagen AG or Porsche SE.

18.2.3.8 *Secondary Activities of Members of the Executive Board; Further Arrangements*

During the term of their service relationship, the assumption of Supervisory Board mandates, advisory Board mandates and any other secondary occupation by members of the Executive Board which are not requested by the Company and in its interests, as well as the assumption of participations in companies that have a business relationship with the Company requires the prior written approval of the Supervisory Board. The Supervisory Board can withdraw this approval at any time, possibly subject to a reasonable time period, if the interests of the Company or of the service relationship are, or risk being, compromised.

The existing service agreements of the members of the Executive Board, except for Dr. Oliver Blume and Barbara Frenkel, contain post-contractual-non-compete arrangements. The new service agreements with the members of the Executive Board as of January, 1 2023 may provide for post-contractual non-compete arrangements as well.

18.3 Supervisory Board

18.3.1 Overview

In accordance with the Articles of Association and Sections 95 and 96 AktG in conjunction with Section 7 para. 1 sentence 1 no. 3 MitbestG, the Supervisory Board consists of 20 members. 10 of the members are elected by the General Meeting and represent the shareholders. The other 10 members are elected by delegates on behalf of the employees, or—upon respective resolution by the employees—directly by the employees.

Generally, unless the General Meeting has set a shorter term, the Supervisory Board members are elected for a term that expires at the end of the annual General Meeting ratifying the activities of the Supervisory Board for the fourth year following the commencement of the member's term of office, not including the year in which the term commences. The election of a successor for members leaving his or her office before the end of his or her term may be appointed is valid for the remainder of the term of office of the departing member. Reelection is possible. In addition, the General Meeting may appoint substitute members (*Ersatzmitglieder*) for Supervisory Board members, who become members of the Supervisory Board, if the Supervisory Board seat for which they have been elected becomes vacant before the end of the term of the departing member. The term of office of the substitute member expires as soon as a successor for the departing member is elected but not later than the expiration of the departing Supervisory Board member's term of office. According to the Articles of Association, Supervisory Board members and substitute members may resign from office providing a written notice to the Executive Board and the chairperson of the Supervisory Board. The notice period of one month may amicably be shortened.

According to the Articles of Association, the Supervisory Board elects a chair and deputy chair from among its members. The election of the chair and first deputy chair requires pursuant to Section 27 MitbestG a two-thirds majority vote. If the majority cannot be achieved in the election of the chair or his deputy, a second ballot shall be held for the election of the Supervisory Board chair and his deputy. In this ballot, the Supervisory Board members representing the shareholders shall elect the Supervisory Board chair and the Supervisory Board members representing the employees shall elect the deputy, in each case by a majority of the votes cast.

The internal rules of procedure for the Supervisory Board ("**RoP-SB**"), which were adopted by the Supervisory Board on September 14, 2022 with effect as of September 23, 2022, govern the internal organization and procedures for the Supervisory Board, including the committees from among its members in accordance with the law and the Articles of Association. The committees shall perform the tasks assigned to them by law, the RoP-SB and by the Supervisory Board within the legally permissible limits on behalf of and in representation of the entire Supervisory Board. In that regard, RoP-SB provides for the establishment of a presidential committee (*Präsidialausschuss*), a mediation committee (*Vermittlungsausschuss*), an audit committee (*Prüfungsausschuss*) and a nomination committee (*Nominierungsausschuss*) and a committee for dealing with related party transactions. Additional committees may be established by the Supervisory Board at any time.

Further details, particularly regarding the composition, the chairpersonship and the vice chairpersonship, confidentiality as well as conflicts of interest, tasks and responsibilities, committees as well as rules of procedure for the committees are governed by the RoP-SB.

18.3.2 Current and Future Members of the Supervisory Board

As of the date of this Prospectus, Hans-Peter Porsche and Thomas Schmall-Reichsgraf von und zu Westerholt are members of the Supervisory Board, but are expected to resign as members of the Supervisory Board as per an extraordinary General Meeting which is expected to be held on or about September 23, 2022 ("**EGM September 2022**"). It is expected that Hauke Stars, Micaela le Divelec Lemmi and Melissa Di Donato Roos will become newly elected members of the Supervisory Board by the EGM September 2022 replacing Hans-Peter Porsche and Thomas Schmall-Reichsgraf von und zu Westerholt and filling the position which is vacant at the date of this Prospectus as a result of the prior resignation of Hiltrud Dorothea Werner from the Supervisory Board.

Furthermore, as of the date of this Prospectus, Werner Weresch is a member of the Supervisory Board, but is expected to resign as member of the Supervisory Board on or about September 30, 2022. The then vacant seat on the Supervisory Board will be filled by a new member afterwards.

The following table lists (i) the current members of the Supervisory Board and (ii) the future members of the Supervisory Board who are expected to be elected by the EGM September 2022:

Name	Born	Member since	Appointed until	Position	Principal occupation
Dr. Wolfgang Porsche . .	1943	2009	2024	Chairperson	Chairperson of the supervisory board of Porsche SE
Dr. Hans Michel Piëch . .	1942	2009	2024	Member	Deputy chairperson of the Supervisory Board of Porsche SE
Hans-Peter Porsche	1940	2010	resigning as per EGM September 2022	Member	Managing director of Hohensalzburg GmbH and Hohensalzburg Spielzeug- und ModellgmbH

Name	Born	Member since	Appointed until	Position	Principal occupation
Dr. Ferdinand Oliver Porsche	1961	2010	2024	Member	Member of the executive board of Familie Porsche AG Beteiligungsgesellschaft
Dr. Hans Peter Schützinger	1960	2016	2024	Member	CEO of Porsche Holding GmbH
Hans Dieter Pötsch	1951	2010	2024	Member	Chairperson of the executive board of Porsche Automobil Holding SE; Chairperson of the supervisory board of Volkswagen AG
Dr. Arno Antlitz	1970	2021	2024	Member	Member of the board of management of Volkswagen AG
Dr. Christian Dahlheim .	1968	2020	2024	Member	Chairperson of the board of management of Volkswagen Financial Services AG
Thomas Schmall-Reichsgraf von und zu Westerholt	1964	2021	resigning as per EGM September 2022	Member	Member of the executive board of Volkswagen AG
Hauke Stars	1967	2022, upon EGM September 2022	2024	Member	Member of the executive board of Volkswagen AG
Micaela le Divelec Lemmi	1968	2022, upon EGM September 2022	2024	Member	Luxury independent advisor; non-executive director in the board of directors of De Longhi SpA; non-executive director in the board of directors of Aeroporti di Roma
Melissa Di Donato Roos	1972	2022, upon EGM September 2022	2024	Member	Chief Executive Officer of SUSE S.A.
Werner Weresch	1961	2010	2022	Deputy Chairperson	Chairperson of the works council Zuffenhausen/ Ludwigsburg/Sachsenheim of the Company; Chairperson of the general works council of the Company; Chairperson of the group works council of the Company
Harald Buck	1962	2019	2024	Member	Chairperson of the works council Zuffenhausen/ Ludwigsburg/Sachsenheim of the Company; Chairperson of the general works council of the Company; Chairperson of the group works council of the Company; Member of the group works council of Volkswagen AG
Akan Isik	1971	2019	2024	Member	Member of the works council, general works council, and

Name	Born	Member since	Appointed until	Position	Principal occupation
					group works council of the Company
Wolfgang von Dühren . .	1962	2014	2024	Member	Manager of International VIP & Special Sales Porsche AG
Nora Leser	1981	2021	2024	Member	Trade union secretary of IG Metall local branch in Stuttgart
Knut Lofski	1963	2019	2024	Member	Chairperson of the works council of Porsche Leipzig GmbH; Member of the group works council of the Company; Member of the group works council of Volkswagen AG
Vera Schalwig	1979	2021	2024	Member	Head of human resources of the Company in Zuffenhausen
Stefan Schaumburg	1961	2021	2024	Member	Trade union secretary and head of the collective bargaining policy department at the executive board of IG Metall
Carsten Schumacher . . .	1987	2019	2024	Member	Chairperson of the works council Weissach of the Company; Member of the general works council and group works council of the Company; Member of the group works council and group works committee of Volkswagen AG
Jordana Vogiatzi	1976	2014	2024	Member	Managing director of the membership and finance department of IG Metall local branch in Stuttgart

The following description provides summaries of the curricula vitae of the current and future members of the Supervisory Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Dr. Wolfgang Porsche

Dr. Wolfgang Porsche was born in 1943 in Stuttgart, Germany. In 1965, he commenced his studies at the University of world trade (*Hochschule für Welthandel*) in Vienna, Austria and graduated as business administrator in 1971. He received his doctorate degree in 1973. In the same year, he became a self-employed general importer for Yamaha motorcycles in Austria. From 1976 until 1981, he worked in various national and international areas for the Daimler-Benz AG distribution division in Stuttgart, Germany. From 1985 until 2010 and again since 2014, he is managing director of Porsche Gesellschaft mit beschränkter Haftung in Grünwald, Germany. From 1988 until 2011, he was a managing partner for Porsche Holding Ges.m.b.H. in Salzburg, Austria. From 2000 until 2015 he was managing director of Wolfgang Porsche GmbH in Stuttgart, Germany. Since 1978, he is a member of the supervisory board of Porsche SE and its chairperson since 2007. Since 2009, he is a member of the supervisory board of the Company. Since 2008, he is a member of the supervisory board of Volkswagen AG. Since 2011, he is a member of the supervisory board of Porsche Holding Gesellschaft m.b.H. in Salzburg, Austria. Since 2012, he is a member of the supervisory board of AUDI AG in Ingolstadt, Germany. Since 2013, he is managing director of Ferdinand Porsche Familien-Holding GmbH in Salzburg, Austria. Since 2021, he is managing director of Ferdinand Alexander Porsche GmbH in Grünwald, Germany.

Dr. Hans Michel Piëch

Dr. Hans Michel Piëch was born in 1942 in Vienna, Austria. He studied law at the University of Vienna, Austria where he graduated in 1968 and obtained a doctorate degree in 1970. In the same year, he started working at Gulf Oil in Pittsburgh, U.S. After working as managing director at Porsche KG in Stuttgart, Germany from 1971 until 1972, he was a lawyer in Vienna, Austria from 1977 until 2021. Since 1975, he is a member of the supervisory board of Porsche Holding GmbH, Salzburg, Austria. Since 1989, he is a member of the supervisory board of Porsche SE. Since 2009, he is a member of the supervisory board of the Company. Since 2009, he is a member of the supervisory board of Audi, Ingolstadt, Germany. Since 2009, he is a member of the supervisory board of Volkswagen AG.

Hans-Peter Porsche

Hans-Peter Porsche was born in 1940 in Stuttgart, Germany. Following his vocational training as an engineer at the Mechanical Engineering School (*Höhere Technische Bundeslehranstalt für Maschinenbau*) in Salzburg, Austria, from 1957 to 1963, he started working at Dr. Ing. h.c. F. Porsche KG in Stuttgart, Germany, as an assistant to the management. From 1965 until 1971, he was the head of production, purchasing, inspection and construction at Dr. Ing. h.c. F. Porsche KG in Stuttgart, Germany. From 1978 until 1985, he was a managing director of Porsche Design Produkte-Vertriebsgesellschaft in Salzburg, Austria. From 2002 until 2022, he was a managing director of Familie Porsche Beteiligung GmbH in Grünewald, Germany. Since 2002, he is a managing director of Real Estate Holding GmbH in Salzburg, Austria. Since 2003, he is a member of the supervisory board of Familie Porsche AG Beteiligungsgesellschaft in Salzburg, Austria. Since 2006, he is a managing director of Familie Porsche GmbH Stifter Gesellschaft in Salzburg, Austria. From 2006 until 2015, he was a managing director of Familie Porsche Holding GmbH in Salzburg, Austria. Since 2007, he is a managing director of Hohensalzburg Spielzeug- und ModellgmbH in Anger, Germany. Since 2007, he is managing director of Hohensalzburg GmbH in Salzburg, Austria. Since 2008, he is a member of the supervisory board of FAP Beteiligungen AG in Salzburg, Austria. Since 2011, he is a managing director of ZH 1330 GmbH, in Salzburg, Austria. From 2015 until 2018, he was a member of the supervisory board of Porsche SE.

Dr. Ferdinand Oliver Porsche

Dr. Ferdinand Oliver Porsche was born in 1961 in Stuttgart, Germany. He completed his law studies at the University of Salzburg, Austria in 1990, where he also obtained his doctorate degree in 1992. From 1994 until 1995, he studied business administration at the University of Toronto, Canada, where he graduated in 1995. From 1994 until 2003, he was managing director of Porsche Design Management GmbH & Co. KG in Salzburg, Austria. Since 2002, he is managing director at Real Estate Holding GmbH in Salzburg, Austria. Since 2003, he is a member of the executive board of Familie Porsche AG Beteiligungsgesellschaft in Salzburg, Austria. Since 2005, he is a member of the supervisory board of Porsche SE. Since 2009, he is a member of the supervisory board of AUDI AG, Ingolstadt, Germany. Since 2009, he is a member of the supervisory board of Volkswagen AG. Since 2011, he is a member of the supervisory board of Porsche Holding Gesellschaft m.b.H. in Salzburg, Austria. Since 2015, he is managing director of Neckar GmbH in Salzburg, Austria.

Hans Dieter Pötsch

Hans Dieter Pötsch was born in 1951 in Traun, Austria. He studied industrial engineering at the Technical University of Darmstadt, Germany, from 1973 to 1979. He worked in controlling at BMW AG in Munich, Germany, from 1979, and subsequently took up the position of head of controlling at BMW AG in 1984, serving in this function until 1987. He became general manager for finance and administration at Trumpf GmbH & Co. KG from 1987 to 1991. He served as chairperson of the board of management of Traub AG from 1991 to 1995, and was chairperson of the board of management at Dürr AG from 1995 to 2002. Mr. Pötsch served as group board of management member with responsibility for finance & controlling at Volkswagen AG from 2003 to 2015. He has served as board member for finance at Porsche SE from 2009 to 2022. Since 2015, he has served as chairperson of the executive board of Porsche SE and chairperson of the supervisory board of Volkswagen AG. Among his other mandates, he is a member of the supervisory board of Bertelsmann SE & Co. KGaA in Gütersloh, Germany.

Dr. Arno Antlitz

Dr. Arno Antlitz was born in 1970 in Premich, Lower Franconia, Germany. He studied industrial engineering at the Technical University in Darmstadt, Germany, specializing in mechanical engineering, and earned his doctorate in political science (Dr. rer. pol.) at the Otto Beisheim School of Management (WHU). In 1999, he started at the business consulting firm McKinsey & Company, where he was last employed as an associate principal. His areas of emphasis included strategy, organization optimization and cost optimization in the automotive and supplier industries. Dr. Antlitz joined Volkswagen AG in 2004. Early in 2005, he was given responsibility for global product controlling at Volkswagen brand. Since 2010, Dr. Antlitz was a member of the

Volkswagen Brand board of management for Controlling and Accounting. From 2020 until 2021, Dr. Antlitz was chief financial officer of the AUDI AG in Ingolstadt, Germany. The supervisory board of Volkswagen AG transferred responsibility for finance at group level in the board of management to Dr. Antlitz with effect from April 1, 2021. Since 2022, Dr. Antlitz has been responsible for the business area finance in the board of management of Volkswagen AG.

Dr. Christian Dahlheim

Dr. Christian Dahlheim was born in 1968 in Berlin, Germany. He studied physics at the Technical University Munich, Germany where he graduated with a master's degree in physics. He also holds an MBA and earned his doctorate in business administration and management (Dr. rer. pol.) at the European Business School. After various professional appointments, he joined the Volkswagen Group in 2005, holding various management positions at Volkswagen Financial Services AG, including head of corporate development, regional manager and, from 2014, as president and chief executive officer of Volkswagen Credit Inc. in the USA. Dr. Dahlheim was appointed member of the board of management of Volkswagen Financial Services AG with responsibility for sales and marketing in 2016. In 2018 he was appointed to Director Group Sales of Volkswagen AG. As of February 1, 2022 he is the Chief Executive Officer of Volkswagen Financial Services AG.

Thomas Schmall-Reichsgraf von und zu Westerholt

Thomas Schmall-Reichsgraf von und zu Westerholt was born in 1964 in Frankfurt am Main, Germany. He studied business management, labour and organisational psychology at the University of Giessen, Germany. After his graduation in 1991, he joined the Volkswagen Group. In 1999, he moved to Volkswagen do Brasil as manager of the Curitiba plant. One year later, Mr. Schmall-Reichsgraf von und zu Westerholt joined Volkswagen Slovakia a.s. as a member of the management board in 2003, becoming chairperson of the management board of Volkswagen Slovakia a.s. in 2005. From 2007 until 2014, he was CEO of Volkswagen do Brasil. He also held the position of Vice President of the São Paulo German-Brazilian Chamber of Commerce between 2009 and 2013 and was then elected President of the Chamber until March of 2015. Mr. Schmall-Reichsgraf von und zu Westerholt has been CEO of Volkswagen Group Components since 2019. Since 2021, he is a member of the management board of Volkswagen AG, responsible for technology.

Hauke Stars

Hauke Stars was born in 1967 in Merseburg, Germany. Ms. Stars studied applied computer science at the Technical University of Magdeburg, graduating as Dipl.-Ing., and studied further in the UK, graduating as a master of science in engineering. Ms. Stars began her professional career in the IT division of Bertelsmann at the beginning of the 1990s. She moved to the IT service provider Triaton in 1998, where she was initially in charge of software development and, from 2000 on, the member of the management board responsible for sales and marketing. Triaton was acquired by Hewlett Packard in 2004, with the result of that Stars continued her career at this global IT group. She was responsible at Hewlett Packard for IT services business in the Netherlands and, from 2007, was managing director of Hewlett Packard's local organization in Switzerland. In 2012, she joined the executive board of the DAX 40 company Deutsche Börse AG, where she was responsible for IT, capital market business and human resources (as Labor Director) until 2020. She has also held seats on various supervisory boards since 2009, currently with supervisory board mandates at the power company RWE AG and the logistics company Kühne+Nagel International AG. Ms. Stars was appointed as a member of the board of management as of 2022 at Volkswagen AG. In this capacity, Ms. Stars is responsible for all group-wide activities in the areas of IT, data, organizational development and process management.

Micaela le Divelec Lemmi

Micaela le Divelec Lemmi was born in 1968 in Florence, Italy. After the graduation in Businessadministration, in 1992 she started her career at Ernst & Young with the audit team. In 1998, she was recruited by Gucci and she joined the group in the management control department. Following the acquisition of YSL, Bottega Veneta, Balenciaga, McQueen and Boucheron, she managed the integration of the teams and of the processes, covering various roles in the group control department until 2004, when she was appointed as the group controller. In 2008, she was appointed to the Gucci Chief Financial Officer and later EVP and Chief Corporate Operation Officer. In March 2015, she was promoted to the newly created role of EVP and Chief Consumer Officer for Gucci. In 2018, Ms. le Divelec Lemmi joined Salvatore Ferragamo group as managing director, to become Chief Executive Officer in July of 2018. In September of 2022, she left the Ferragamo group. In April of 2022, Ms. le Divelec Lemmi was appointed as non-executive director in the board of directors of De Longhi SpA and

Aeroporti di Roma SpA and she is currently at the second mandate as independent director of Pitti Immagine Srl. During the last five years, she was also a board member of Beni Stabili Spa until December of 2018.

Melissa Di Donato Roos

Melissa Di Donato Roos was born in 1972 in New York, U.S. In 1994, she received a bachelor's degree in Russian language and literature and political science from the Manhattanville College. In 1996, she received two master's degrees in Russian language and literature as well as in International Business from the American University. She commenced her career as a technologist and SAP R/3 developer followed by functions in engineering and product development and leadership positions in sales, services and general management at technology companies such as IBM and Oracle. More than 15 years ago, she relocated from the U.S. to London to lead a global tech business for IBM. She spent eight years at PricewaterhouseCoopers LLP, USA/IBM (PwC division acquired by IBM) previously. In addition, she was the Global Vice President of a start up on the U.S. west coast. In 2016, she joined SAP as chief revenue officer for SAP's ERP Cloud and was then promoted to Global Chief Operating Officer of SAP's ERP and Infrastructure Division (Digital Core). Furthermore, she served as the EMEA and APAC area vice president for nearly seven years where she created and built the force.com and Appexchange Programs and independent software vendor (ISV)/OEM businesses for international markets and was the AREA Vice President for Analytics. Since 2019, she is the Chief Executive Officer of SUSE S.A. Since 2020, she is an advisor to Capri Ventures. Since 2021, she is an independent non-executive director in the board of directors of JPMorgan Chase.

Dr. Hans Peter Schützinger

Dr. Hans Peter Schützinger was born in 1960 in Uttendorf, Austria. From 1980 to 1986, he studied business administration at the University of Economics and Business in Vienna, Austria, where he also obtained his doctorate degree in 1988. From 1989 until 1991, he was assistant to the head of finance, accounting and controlling at Porsche Konstruktionen KG. From 1991 until 1993, he was the head of the finance and payments divisions at Porsche Konstruktionen KG. From 1993 until 1994, he was the head of the group accounting division at Porsche Holding GmbH. From 1994 until 2002, he was the head of the staff unit for accounting, taxation and participations at Porsche Holding GmbH. From 2002 until 2008, he was a managing director of Porsche Holding GmbH, responsible for financial services and finance. From 2008 until 2017, he was the CFO and a managing director of Porsche Holding GmbH, responsible for the areas of financial services and automotive trade with the brands of various manufacturers. Since 2017, he is the CEO of Porsche Holding GmbH, responsible for the areas of wholesale and financial services.

Werner Weresch

Werner Weresch was born in 1961 in Oberstenfeld, Germany. Following his education as an automotive mechanic, he started working for the Company in 1984. In 1990, he became a member of the Company's works council. He became the deputy chairperson of the works council in Zuffenhausen in 2011. Since 2012, he has been a member of the supervisory board of Porsche Holding Stuttgart GmbH. In 2019, he became chairperson of the works council of the Company in Zuffenhausen, Germany, chairperson of the general works council of the Company, chairperson of the group works council of the Company and member of the group works council of Volkswagen AG. Furthermore, he has been a member of the European and global works councils of Volkswagen AG and, since 2019, a member of the supervisory board of Volkswagen AG. Since 1998, Werner Weresch has been a member of the supervisory board of the Company's legal predecessor and, thus, since 2009 a member of the Supervisory Board, serving as deputy chairperson since 2019. Werner Weresch is expected to resign as member of the Supervisory Board on or about September 30, 2022.

Harald Buck

Harald Buck was born in 1962 in Stuttgart, Germany. From 1979 to 1982, he completed his education as automotive mechanic with subsequent employment at Hahn Sportwagen. In 1985, he started working for the Company as an automotive mechanic in the engine construction area and, from 1999, in the repair shop area. Since 1990, he has been a trade union representative and, since 1995, a member of the works council management (*Vertrauenskörperleitung*) of the Company. He has been a member of the works council of the Company since 2002, serving as deputy chairperson of the works council from 2019 to 2022 and as chairperson of the works council since 2022. Since 2010, he has been a member of the general works council of the Company and, since 2018, of the group works council of the Company, serving as chairperson, respectively, since 2022. In the works council, he is responsible for the company's pension scheme and a member of the Porsche Trust. Since 2019, Harald Buck has been a member of the Supervisory Board.

Wolfgang von Dühren

Wolfgang von Dühren was born in 1962 in Stuttgart, Germany. Following his education as automotive electrician at the Company from 1980 to 1983, he worked in the area of factory repair for the Company. In 1989, following his further education as business economist for crafts at the Chamber of Commerce (*Handwerkskammer*) in Stuttgart, he started working as sales representative. In 1999, he was promoted to the manager of order processing and as of the date of this Prospectus he is serving as manager of International VIP & Special Sales of the Company. Since 2014, Wolfgang von Dühren has been a member of the Supervisory Board.

Akan Isik

Akan Isik was born in 1971 in Pforzheim, Germany. From 1986 to 1989, he completed his education as automotive varnisher and started working for the Company as automotive varnisher in 1989. Following his further education to master craftsman, he was promoted to the master craftsman of the paint shop in 1996. Since 2004, he has been a trade union representative and, since 2006, a member of the works council of the Company. Furthermore, he has been a member of the general works council of the Company since 2014 and, a member of the group works council of the Company since 2022. In the works council, he is responsible for monitoring of process improvement projects as well as in the area of IT, among other things, he is the spokesman for the IT committee. In 2015, he became a member of the group works council working group IT (*KBR-Arbeitskreis IT*) of the Volkswagen Group. Since 2019, Akan Isik has been a member of the Supervisory Board.

Nora Leser

Nora Leser was born in 1981 in Böblingen, Germany. She studied business and economics at the University of Hohenheim from 2001 to 2003. In 2003, she changed her major to professional and business education, sociology and business administration. She graduated from the University of Stuttgart as magistra artium in 2008. In 2010, she started working as manager for candidate relations in the area of recruitment at Hays AG in Frankfurt and Stuttgart. Starting in 2011, she has been working as political secretary at the IG Metall local branch in Stuttgart where she has been responsible for the support of the employee representatives of Daimler AG and BOSCH GmbH. Currently, she is the contact person for the employee representatives of the Company in Weissach as well as for subsidiaries of the Company. Since 2018, she has been the corporate representative and a member of the supervisory board of Thales Management und Services Deutschland GmbH. Since 2021, Nora Leser has been a member of the Supervisory Board.

Knut Lofski

Knut Lofski was born in 1963 in Schmölln, Germany. In 1981, he completed his education as automotive mechanic. Following his further education to master craftsman in 1989, he worked as automotive mechanic and master craftsman at various companies until he started working for Porsche Leipzig GmbH in 2000. He has been a member of the works council of Porsche Leipzig GmbH since its establishment in 2001, serving as chairperson from 2001 to 2014 and since 2018, in between, he was serving as deputy chairperson. Since 2003, he has been a member of the group works council of the Company and, since 2012, of the group works council of Volkswagen AG. Furthermore, he has been a member of the supervisory board of Porsche Holding Stuttgart GmbH since 2013 and, deputy chairperson of the supervisory board of Porsche Leipzig GmbH since 2016. Since 2019, Knut Lofski has been a member of the Supervisory Board.

Vera Schalwig

Vera Schalwig was born in 1979 in Würzburg, Germany. She studied business administration at Friedrich-Alexander-University in Erlangen-Nürnberg, Germany, from 2002 to 2007. She worked in marketing and sales at the Company from 2007 to 2009, and at Porsche Design Group from 2009 to 2012. From 2012 to 2015 she worked in various areas at the Company, in particular, in the areas of process optimisation, legal and compliance, management of the Executive Board office and assistance to the chairperson of the Executive Board. In 2015, she served as general secretary for executive board and supervisory board affairs. From 2017 to 2021, she worked as head of internal audit and IT audit at the Company, until she was promoted to head of human resources Zuffenhausen, Germany. Since 2021, Vera Schalwig has been a member of the Supervisory Board.

Stefan Schaumburg

Stefan Schaumburg was born in 1961 in Kassel, Germany. He studied political science and sociology at Philips University in Marburg, Germany, graduating in 1989 with a degree in political science. Following his studies, he worked in various areas and positions, among others, as trade union secretary, at IG Metall. Since 2012, he serves as head of the collective bargaining policy department at the executive board of IG Metall. He has been a member of the supervisory board of Jenoptik AG since 2012, serving as deputy chairperson since 2020. Since 2021, Stefan Schaumburg has been a member of the supervisory board of Porsche Holding Stuttgart GmbH and of the Supervisory Board.

Carsten Schumacher

Carsten Schumacher was born in 1987 in Mühlacker, Germany. From 2004 to 2007, he completed his education as electrician for industrial engineering. Afterwards, he studied industrial engineering at Pforzheim University, Germany, from 2007 to 2011, including an internship semester at the Company from 2009 to 2010. From 2011 to 2015 he worked in the area of project procurement at the Company until he was promoted to team leader in the area of chassis design for the Porsche Taycan. He has been a member of the supervisory board of CARIAD since 2021. Since 2019, Carsten Schumacher has been a member of the Supervisory Board.

Jordana Vogiatzi

Jordana Vogiatzi was born in 1976 in Bietigheim-Bissingen, Germany. From 1997 to 2003, she studied English philology, theater and media studies and sociology at Friedrich-Alexander-University in Erlangen-Nürnberg, Germany, graduating as magistra artium. From 2005 to 2016, she worked as press officer for the IG Metall local branch in Stuttgart and, from 2014 to 2019, she served as political secretary for the IG Metall local branch in Stuttgart where she was responsible for the support of the Company. In 2019, she was promoted to managing director of the membership and finance department of the IG Metall local branch in Stuttgart. Since 2014, Jordana Vogiatzi is a member of the Supervisory Board.

All current and future members of the Supervisory Board may be reached at the Company's offices at Porscheplatz 1, 70435 Stuttgart, Germany (telephone +49 711 911 0).

The following overview lists all of the companies and enterprises in which the current and the future members of the Supervisory Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and companies within the Group:

Dr. Wolfgang Porsche

Current seats:

- Member of the supervisory board of Volkswagen AG
- Member of the supervisory board of AUDI AG
- Chairperson of the supervisory board of Porsche Automobil Holding SE
- Chairperson of the supervisory board of Familie Porsche AG Beteiligungsgesellschaft
- Member of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Member of the supervisory board of Schmittenhöhebahn AG
- Chairperson of the supervisory board of Porsche Holding Stuttgart GmbH
- Managing director of Familie Porsche Beteiligung GmbH
- Managing director of Porsche Gesellschaft m.b.H.
- Managing director of Ferdinand Alexander Porsche GmbH
- Managing director of Ferdinand Porsche Familien-Holding GmbH
- Managing director of Familie WP Holding GmbH
- Managing director of Porsche Piech Holding GmbH
- Managing director of Porsche Gesellschaft mit beschränkter Haftung
- Managing director of Schloß Prielau Betriebsgesellschaft m.b.H.
- Managing director of LINGA Immo GmbH

Past seats:

- Managing director of PPR Grundbesitz GmbH

- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Dr. Hans Michel Piëch

Current seats:

- Member of the supervisory board of Volkswagen AG
- Member of the supervisory board of AUDI AG
- Deputy Chairperson of the supervisory board of Porsche Automobil Holding SE
- Member of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Member of the supervisory board of Schmittenhöhebahn AG
- Member of the supervisory board of Volksoper Wien GmbH

Past seats:

- Managing director of PPR Grundbesitz GmbH
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Hans-Peter Porsche

Current seats:

- Chairperson of the supervisory board of FAP Beteiligungen AG
- Deputy chairperson of the supervisory board of Familie Porsche AG Beteiligungsgesellschaft
- Managing director of ZH 1330 GmbH
- Managing director of Hohensalzburg GmbH
- Managing director of Hohensalzburg Spielzeug- und ModelgmbH
- Managing director of Real Estate Holding GmbH
- Managing director of Familie Porsche GmbH Stifter Gesellschaft
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Past seats:

- Managing director of Familie Porsche Beteiligung GmbH
- Managing director of AUCANADA Holding GmbH
- Member of the supervisory board of Porsche Automobil Holding SE
- Member of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Dr. Ferdinand Oliver Porsche

Current seats:

- Member of the supervisory board of Volkswagen AG
- Member of the supervisory board of AUDI AG
- Member of the supervisory board of Porsche Automobil Holding SE
- Member of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Member of the supervisory board of Lebenshilfe Salzburg gemeinnützige GmbH
- Member of the supervisory board of Porsche Lifestyle GmbH & Co. KG
- Managing director of Ferdinand Alexander Porsche GmbH
- Managing director of Familie Porsche Beteiligung GmbH
- Managing director of Ferdinand Porsche Familien-Holding GmbH
- Managing director of ZH 1420 GmbH
- Managing director of DREHBONSI GmbH
- Managing director of Neckar GmbH
- Managing director of LINGA Immo GmbH
- Managing director of Real Estate Holding GmbH

Past seats:

- Member of the supervisory board of Traton AG

- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Hans Dieter Pötsch

Current seats:

- Chairperson of the executive board of Porsche Automobil Holding SE
- Chairperson of the supervisory board of Volkswagen AG
- Chairperson of the supervisory board of TRATON SE
- Chairperson of the supervisory board of Porsche Austria Gesellschaft m.b.H.
- Chairperson of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Chairperson of the supervisory board of Porsche Retail GmbH
- Deputy Chairperson of the supervisory board of VfL Wolfsburg-Fußball GmbH
- Member of the supervisory board of AUDI AG
- Member of the supervisory board of Autostadt GmbH
- Member of the supervisory board of Bertelsmann Management SE
- Member of the supervisory board of Bertelsmann SE & Co. KGaA
- Member of the supervisory board of Wolfsburg AG

Past seats:

- Chairperson of the supervisory board of Autostadt GmbH
- Member of the advisory board North of Deutsche Bank AG
- Member of the advisory board of Landesbank Baden-Württemberg
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Dr. Arno Antlitz

Current seats:

- Member of the executive board of Volkswagen AG
- Chairperson of the supervisory board of Volkswagen Group of America, Inc.
- Member of the supervisory board of Volkswagen (China) Investment Co., Ltd.
- Member of the supervisory board of PowerCo SE
- Chairperson of the supervisory board of VOLKSWAGEN FINANCIAL SERVICES AG
- Member of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Member of the supervisory board of Porsche Austria Gesellschaft m.b.H.

Past seats:

- Member of the supervisory board of Audi México S.A. de C.V.
- Member of the supervisory board of Automobili Lamborghini S.p.A.
- Member of the supervisory board of Ducati Motor Holding S.p.A.
- Member of the supervisory board of Audi (China) Enterprise Management Co., Ltd.
- Member of the supervisory board of Volkswagen Slovakia, a.s.
- Chairperson of the supervisory board of Electrify America, LLC
- Chairperson of the supervisory board of Volkswagen Group of America Chattanooga Operations, LLC
- Member of the supervisory board of Volkswagen Osnabrück GmbH
- Member of the supervisory board of Shanghai Volkswagen Powertrain Co., Ltd.
- Member of the supervisory board of CARIAD SE
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Dr. Christian Dahlheim

Current seats:

- Member of the supervisory board of Volkswagen Bank GmbH
- Member of the supervisory board of Volkswagen Finance (China) Co., Ltd.
- Member of the supervisory board of VW New Mobility Services Investment Co., Ltd.
- Chairperson of the supervisory board of VDF Faktoring A.S.
- Chairperson of the supervisory board of VDF Filo Kiralama A.S.
- Chairperson of the supervisory board of VDF Sigorta Aracilik Hizmetleri A.S.
- Chairperson of the supervisory board of VDF Servis ve Ticaret A.S.
- Chairperson of the supervisory board of Volkswagen Dogus Finansman A.S.
- Member of the supervisory board of Volkswagen Versicherung AG
- Member of the supervisory board of Porsche Bank AG
- Chairperson of the supervisory board of Volkswagen Semler Finans Danmark A/S
- Chairperson of the supervisory board of Volkswagen Participações Ltda.

Past seats:

- Chairperson of the supervisory board of Volkswagen Group Espana Distribución, S.A.
- Member of the supervisory board of Volkswagen Group Middle East QFZ LLC
- Member of the supervisory board of Volkswagen Leasing S.A. de C.V.
- Member of the supervisory board of Volkswagen Bank S.A., Institución de Banca Múltiple
- Chairperson of the supervisory board of Volkswagen D'Ieteren Finance S.A.
- Chairperson of the supervisory board of D'Ieteren Lease S.A.
- Chairperson of the supervisory board of VVS Verzekerings-Service N.V.
- Chairperson of the supervisory board of Volkswagen Pon Financial Services B.V.
- Chairperson of the supervisory board of Volkswagen Group France S.A.
- Member of the board of directors of VW Credit, Inc.
- Member of the supervisory board of Volkswagen Payments S.A.
- Chairperson of the supervisory board of Volkswagen Group United Kingdom Ltd.
- Member of the supervisory board of Volkswagen Group Polska Sp. Z. o. o.
- Chairperson of the supervisory board of Volkswagen Group Italia S.p.A.
- Member of the supervisory board of Volkswagen Financial Services AG
- Chairperson of the supervisory board of Volkswagen Versicherung AG
- Member of the supervisory board of Volkswagen Participações Ltda.
- Member of the supervisory board of diconium digital GmbH
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Thomas Schmall-Reichsgraf von und zu Westerholt

Current seats:

- Member of the executive board of Volkswagen AG
- Member of the supervisory board of Volkswagen Group Services GmbH
- Member of the supervisory board of Wolfsburg AG
- Chairperson of the supervisory board of PowerCo SE

- Member of the supervisory board of Brose Sitech sp. z o.o

Past seats:

- Chairperson of the supervisory board of SEAT S.A.
- Chairperson of the supervisory board of SITECH sp. z o.o
- Member of the supervisory board of Volkswagen Sachsen GmbH

Hauke Stars

Current seats:

- Member of the supervisory board of RWE AG
- Member of the board of directors of Kühne + Nagel International AG
- Member of the supervisory board of AUDI AG
- Member of the supervisory board of CARIAD SE
- Member of the supervisory board of PowerCo SE

Past seats:

- Member of the executive board of Deutsche Börse AG
- Member of the supervisory board of Fresenius SE & Co. KGaA
- Member of the supervisory board of Eurex Frankfurt AG
- Member of the board of directors of Clearstream International S.A.
- Member of the economic advisory board of Fraport AG
- Member of the regional advisory council of Deutsche Bank AG

Micaela le Divelec Lemmi

Current seats:

- Non-executive director in the board of directors of De Longhi SPA
- Non-executive director in the board of directors of Aeroporti di Roma
- Non-executive director in the board of directors of Pitti Immagine Srl

Past seats:

- Non-executive director in the board of directors of Guccio Gucci Spa
- Chief Executive Officer of Salvatore Ferragamo Spa
- Non-executive director in the board of directors of Beni Stabili Spa

Melissa Di Donato Roos

Current seats:

- Chief Executive Officer of SUSE S.A.
- Independent non-executive director in the board of directors of JPMorgan Europe Ltd.

Past seats:

- Non-executive director in the board of directors of Burgundy Technology Acquisition Corporation
- Chief Operating Officer of SAP UK Ltd.

Dr. Hans Peter Schützinger

Current seats:

- Member of the supervisory board of Porsche Hungaria Kereskedelmi Kft.
- Member of the supervisory board of VOLKSWAGEN FINANCIAL SERVICES AG
- Member of the supervisory board of Volkswagen Financné služby Slovensko s.r.o.
- Member of the supervisory board of Porsche Holding Stuttgart GmbH
- Member of the supervisory board of Porsche Bank AG
- Member of the supervisory board of Porsche Versicherungs AG
- Member of the board of directors of Din Bil Sverige AB
- Managing director of Porsche Austria GmbH
- Managing director of Volkswagen Holding Österreich GmbH

- Managing director of Porsche Holding Gesellschaft m.b.H
- Managing director of H.P.S. Beteiligungs GmbH
- Member of the supervisory board of Gletscherbahnen Kaprun AG
- Member of the supervisory board of Schmittenhöhebahn AG

Past seats:

- Member of the supervisory board of Porsche Leasing d.o.o.
- Member of the supervisory board of Porsche Bank Zrt.
- Member of the supervisory board of Porsche Pensionskasse AG
- Managing director of Porsche Corporate Finance GmbH
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Werner Weresch

Current seats:

- Member of the supervisory board of Volkswagen AG

Past seats:

- Member of the supervisory board of CARIAD SE
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Harald Buck

Current seats:

- None

Past seats:

- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Wolfgang von Dühren

Current seats:

- None

Past seats:

- None

Akan Isik

Current seats:

- None

Past seats:

- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Nora Leser

Current seats:

- Member of the supervisory board of Thales Management und Services Deutschland GmbH, Ditzingen

Past seats:

- None

Knut Lofski

Current seats:

- None

Past seats:

- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Vera Schalwig

Current seats:

- None

Past seats:

- None

Stefan Schaumburg	Current seats: • Member of the supervisory board of Jenoptik AG Past seats: • Deputy chairperson and member of the supervisory board of GKN Driveline International GmbH • Member of the supervisory board of Porsche Holding Stuttgart GmbH
Carsten Schumacher	Current seats: • Member of the supervisory board of CARIAD SE Past seats: • Member of the supervisory board of Porsche Holding Stuttgart GmbH
Jordana Vogiatzi	Current seats: • None Past seats: • Member of the supervisory board of Porsche Holding Stuttgart GmbH

18.3.3 Supervisory Board committees

The Supervisory Board may establish committees in accordance with the law. The composition, powers and procedures of the committees shall be determined by the Supervisory Board. Where permitted under law, decision-making powers of the Supervisory Board may be conferred upon such committees.

Accordingly, the RoP-SB provides for at least the following committees of the Supervisory Board:

18.3.3.1 *Presidential Committee*

The Presidential Committee deals with matters relating to the members of the Executive Board and prepares the meetings and resolutions of the Supervisory Board. The Presidential Committee comprises 6 members, including the chairperson of the Supervisory Board and 3 employee representatives.

It is expected that the Supervisory Board will establish the Presidential Committee in its meeting on or about September 23, 2022 and appoint Dr. Wolfgang Porsche, Dr. Arno Antlitz, Hauke Stars, Harald Buck, Carsten Schumacher and Jordana Vogiatzi as members of the committee.

18.3.3.2 *Mediation Committee*

The Mediation Committee pursuant to Section 27 para. 3 MitbestG has the task of making proposals for the appointment and dismissal of members of the Executive Board in cases where Section 31 paras. 3 and 5 MitbestG apply.

Pursuant to Section 27 para. 3, the Mediation Committee shall consist of the chairperson and the vice chairperson of the Supervisory Board as well as one member of the Supervisory Board elected by the General Meeting and on that has been elected by the employees.

It is expected that the Supervisory Board will establish the Mediation Committee in its meeting on or about September 23, 2022 and appoint Dr. Wolfgang Porsche, Hauke Stars, Harald Buck and Jordana Vogiatzi as members of the committee.

18.3.3.3 *Audit committee*

The tasks of the Audit Committee are predominantly matters of accounting and audit, monitoring of governance functions (internal control system, risk management, internal audit and compliance as well as the preparation of respective resolutions of the Supervisory Board.

Pursuant to the RoP-SB, the Audit Committee shall consist of at least 4 members. At least one member of the committee must have expertise in the field of accounting and at least one further member must have expertise in the field of auditing. The members as a whole must be familiar with the sector in which the company pursues its activities. It is expected that the Supervisory Board will establish the Audit Committee in its meeting on or about September 23, 2022 and appoint Dr. Christian Dahlheim, Micaela le Divelec Lemmi, Dr. Ferdinand Oliver Porsche, Harald Buck, Nora Leser and Carsten Schumacher as members of the committee.

18.3.3.4 *Nomination Committee*

The Nomination Committee is responsible for suggesting suitable candidates to the Supervisory Board for its election proposals for the general meeting for election to the Supervisory Board.

Pursuant to the RoP-SB, the Nomination Committee shall consist of 3 members, including the chairperson of the Supervisory Board. It is expected that the Supervisory Board will establish the Nomination Committee in its meeting on or about September 23, 2022 and appoint Dr. Wolfgang Porsche, Hauke Stars and Dr. Arno Antlitz as members of the committee.

18.3.3.5 *Committee on Dealing with Related Party Transactions*

The Committee on Dealing with Related Party Transactions is responsible for the approval of related party transactions according to the AktG.

Pursuant to the RoP-SB, the Committee on Dealing with Related Party Transactions shall consist of 5 members, including two employee representatives. It must be ensured that the committee is composed of a majority of members for whom there is no concern of a potential conflict of interest due to their relationship with Porsche SE and Volkswagen AG.

It is expected that the Supervisory Board will establish the Committee on Dealing with Related Party Transactions in its meeting on or about September 23, 2022 and appoint Hauke Stars, Dr. Hans Michel Piëch, Micaela le Divelec Lemmi, Wolfgang von Dühren and Akan Isik as members of the Committee on Dealing with Related Party Transactions.

18.3.4 Remuneration and Other Benefits of the Members of the Supervisory Board

Pursuant to the Articles of Association, the members of the Supervisory Board will receive an annual compensation as follows: In addition to reimbursement of their expenses—including any value added tax on their remuneration—, each member of the Supervisory Board will receive a fixed remuneration which amounts to EUR 130,000 for the individual member. An additional EUR 130,000 is paid to the chairperson and an additional EUR 65,000 to the deputy chairperson of the Supervisory Board.

Membership in a committee of the Supervisory Board is remunerated with an additional EUR 50,000, provided the respective committee has met at least one time in the year to fulfill its tasks. The chairperson of a committee is remunerated with an additional EUR 50,000. Membership in the Nomination Committee is not remunerated. The additional fixed remuneration is paid for a maximum of two committees.

Furthermore, the members of the Supervisory Board and the committees receive a fixed attendance fee of EUR 9,000 a year. The members of the Supervisory Board are included in this function in a D&O insurance policy of the Company, if one has been taken out.

For information on the remuneration of the members of the Supervisory Board in the year ended December 31, 2021, see Note 41 "*Related Parties*" of the Audited 2021 Consolidated Financial Statements included in this Prospectus.

18.3.5 Shareholdings and Stock Options of the Members of the Supervisory Board in the Company

As of the date of this Prospectus, no member of the Supervisory Board directly or indirectly holds Company shares or options on Company shares.

Certain members of the Supervisory Board hold, directly or indirectly, shares in Volkswagen AG or Porsche SE.

18.4 Certain Information Regarding the Members of the Executive Board and Supervisory Board, Conflicts of Interest

In the last five years, no member of the Executive Board or Supervisory Board has been convicted of fraudulent offences.

In the last five years, no member of the Executive Board or Supervisory Board has been associated with any bankruptcy, receivership or liquidation or companies put into administration, acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager.

Additionally, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Executive Board or Supervisory Board, nor have sanctions been imposed by the aforementioned authorities in the last five years. However, in August of 2017, the Criminal and Fine Matters Office (*Straf- und Bußgeldsachenstelle*) of the Stuttgart II Tax Office (*Finanzamt Stuttgart II*) initiated proceedings of disorderly conduct (*Ordnungswidrigkeitenverfahren*) on suspicion of violation of supervisory duties against three current members of the Executive Board. It was alleged that, as a result of a breach of supervisory duties, there were numerous cases of incorrect tax treatment. In addition, in May of 2019, the public prosecutor's office in Stuttgart initiated a criminal investigation against three current members of the Executive Board on suspicion of tax evasion and breach of trust (*Untreue*). After the combination of all above-mentioned investigations, the proceedings were all discontinued without the respective members of the Executive Board being fined (for further information regarding these proceedings, see "*12.17.5 Tax Proceedings*"). In July of 2017, the public prosecutor's office in Stuttgart initiated a criminal investigation into the diesel issue against one current member of the Executive Board on suspicion of fraud and false advertising. The proceedings were discontinued against a payment without a finding of wrongdoing (for further information regarding the proceedings, see "*12.17.1.2 Proceedings in Germany*"). In 2015, the public prosecutor's office in Padua, Italy, initiated a criminal investigation against one current member of the Executive Board on suspicion of fraud and culpable offence against public health. The public prosecutor's office in Padua, Italy, after the pre-trial has requested the discontinuation of the proceedings against the respective member of the Executive Board. Following a complaint by the consumer protection agency CODACONS, the competent court rejected the public prosecutor's office request and asked that they continue the investigations further.

In addition, in 2019, a public charge (*öffentliche Anklage*) was brought against Hans Dieter Pötsch by the public prosecutor's office in Braunschweig on suspicion of violations of the German Securities Trading Act (WpHG) as member of the executive board of Volkswagen AG in connection with financial risks resulting from the installation of inadmissible software in VW diesel vehicles. The proceedings were discontinued by the regional court (*Landgericht*) of Braunschweig in 2020 against a payment without a finding of wrongdoing. Criminal investigations initiated by the public prosecutor's office in Stuttgart against Hans Dieter Pötsch as member of the executive board of Porsche SE with corresponding suspicions were discontinued in 2020 against a payment without a finding of wrongdoing.

No court has ever disqualified any of the members of either board from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

As of the date of the Prospectus and following the Offering, members of the Executive Board of the Company as well as members of the Supervisory Board of the Company also serve and will continue to serve on the executive boards or the supervisory boards of Volkswagen AG or Porsche SE (so called dual mandates), are employees of Volkswagen AG and/or hold shares in Volkswagen AG and/or Porsche SE, including virtual shares as part of the remuneration they receive from Volkswagen AG (for further information, see "*1.5.3 Dual mandates where individuals are board members of the Company and at the same time board members at Volkswagen Group or Porsche SE as well as other relationships with the Volkswagen Group or Porsche SE may result in conflicts of interest*").

Beyond the service agreements of the members of the Executive Board, there are no further agreements of the members of the Executive Board or the members of the Supervisory Board with a Group company that provides for benefits upon termination of employment or office.

There are no family relationships between the members of the Executive Board and the Supervisory Board, either among themselves or in relation to the members of the other body, except that Dr. Hans Michel Piëch, Dr. Wolfgang Porsche, Hans-Peter Porsche and Dr. Ferdinand Oliver Porsche are (distant) relatives.

18.5 General Meeting

Pursuant to the Articles of Association, the general meeting shall be held at the registered seat (Sitz) of the Company, at the registered seat of a German subsidiary of the Company or at a location of a stock exchange in Germany. The ordinary General Meeting takes place within the first eight months of each year in accordance with Section 175 para. 1 sentence 2 AktG.

Each of the Company's Ordinary Shares confers one vote in the General Meeting, unless the voting rights are excluded by law or the Company's Articles of Association. The holders of Preferred Shares have no voting rights. If, however, the holders of non-voting preferred bearer shares (*stimmrechtslosen Vorzugsaktien*) are entitled to a voting right under any mandatory provisions of law (see "*17.1 Current Share Capital and Shares*"), every non-voting preferred bearer share (*stimmrechtslose Vorzugsaktie*) shall—exceptionally—carry one vote. Except for the voting rights, in relation to the General Meeting, the holders of Preferred Shares have the same rights as the holders of Ordinary Shares. These rights include, *inter alia*:

- the right to attend and speak in the General Meeting and to request information;
- the right to submit counter-motions and propose candidates for election as members of the shareholders' representatives in the Supervisory Board and to demand that such counter-motions and proposals are announced; and
- the right to challenge adopted resolutions by bringing court proceedings.

A general meeting may be convened by the Executive Board or—in the cases prescribed by law—by the Supervisory Board or may be requested by shareholders whose shares collectively make up 5% of the share capital. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose Company's Shares collectively make up 5% of the share capital, a general meeting of the Company is not held in due time, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested it or their representatives to convene a general meeting of the Company. The Supervisory Board must convene a general meeting if it is in the interest of the Company.

Pursuant to the Articles of Association, only shareholders who have duly registered prior to the General Meeting and submitted proof of their shareholding are entitled to participate in the General Meeting and exercise their voting rights (if any). The registration for participation must be received by the Company at the address set out for this purpose in the invitation convening the General Meeting at least six days prior to the General Meeting while the day of the receipt and the day of the General Meeting is not taken into account. The proof of shareholding must be issued by the ultimate intermediary pursuant to Section 67c para. 3 AktG. With regard to such shares which are not held by an intermediary, the proof of shareholding may also be issued by a German notary public or a credit institution. The proof of shareholding must relate to the beginning of the 21st day prior to the date on which the General Meeting convenes. The details of the registration will be published in the Federal Gazette (*Bundesanzeiger*) together with the convening notice.

Shareholders may attend the General Meeting and exercise their voting rights by a proxy. Unless the law stipulates other mandatory provisions regarding proxy authorizations, its revocation and the proof of authorization to the Company, the proxy notice, its revocation and the proof of authorization to the Company will need to be in text form (*Textform*) (Section 126b of the German Civil Code (*Bürgerliches Gesetzbuch*)), provided that the convening notice does not include any facilitations. According to the Articles of Association, the Executive Board is authorized to provide, that shareholders may cast their vote in writing or by means of electronic communication without having to attend the meeting (absentee vote). The Executive Board may determine the details of the absentee vote's scope and procedure. The details of proxy authorizations, its revocation and the proof of authorization to the Company as well as voting by written or electronic means will be published in the Federal Gazette (Bundesanzeiger) together with the convening notice.

Pursuant to the Articles of Association, the Executive Board is authorized for a term of five years to make provisions such that the shareholders may also attend the general meeting without being physically present on-site and without having to appoint a proxy, as well as to exercise all or some of their rights, in whole or in part, by means of electronic communications (virtual meeting). The Executive Board is also authorized to permit the full or partial video and audio transmission of the general meeting. In agreement with the chairperson of the general meeting, members of the Supervisory Board are exceptionally permitted to participate in the general meeting by means of video and audio transmission in cases where, due to legal restrictions or due to their place of employment or residence abroad, personal participation is not possible or only possible at considerable expense.

The General Meeting is chaired by the chairperson of the Supervisory Board or by another member appointed by him. If neither the chairperson of the Supervisory Board or the person appointed by him is present or agrees to chair the meeting, the Supervisory Board appoints a chairperson. If the chairperson of the meeting is not elected by the Supervisory Board, the chairperson shall be elected by the General Meeting under the chairmanship of the oldest shareholder or shareholder representative entitled to vote. The chairperson of the

General Meeting will preside over the proceedings and determine the order of items to be discussed and the manner of voting. The chairperson is entitled to appropriately limit the time allowed for shareholders' questions and statements.

Pursuant to the Articles of Association, resolutions of the General Meeting are generally adopted by the simple majority of the votes cast (*Stimmmehrheit*), and, if required by law in addition thereto, by a simple majority of the share capital (*Kapitalmehrheit*) represented when the resolution is adopted, unless a higher majority is required pursuant to mandatory law or the articles of association. According to the Articles of Association, the following measures and resolution items require a resolution of the General Meeting which must be adopted by a majority of at least 75% of the Company's share capital represented when the resolution is passed:

- changes in the Company's share capital, in particular resolutions on capital increases, capital reductions and the creation of authorized or conditional capital;
- authorization to purchase and use treasury shares, to issue convertible bonds and/or income bonds as well as to issue participatory rights;
- distribution of dividends based in whole or part on withdrawals from capital reserves or retained earnings (dividends in substance);
- reduction of the maximum remuneration of the members of the Executive Board pursuant to Section 87 para. 4 AktG;
- waiver or settlement of damage claims *vis-à-vis* the members of the Executive Board pursuant to Section 93 para. 4 sentence 3 AktG; and
- amendments of the Articles of Association which concern the following items:
  - Company's legal name, its registered office and its object;
  - conversion of Preferred Shares into ordinary bearer shares or change in the nature or amount of the preferential right and restrictions on the transferability of shares;
  - introduction or change of a minimum dividend;
  - introduction of personal requirements for the membership in the Supervisory Board, such as in particular the introduction of an age limit, introduction or amendment of consent requirements for the Supervisory Board, remuneration of the members of the Supervisory Board and creation of delegation rights;
  - declaration of applicability of Section 33b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*); and
  - creation of additional committees.

In addition, pursuant to the current version of the AktG, several resolutions of fundamental importance (*grundlegende Bedeutung*) require a vote of at least 75% of the Company's share capital represented at the General Meeting when the resolution is passed. Such resolutions of fundamental importance include, among others:

- the approval of contracts within the meaning of Section 179a AktG (transfer of the entire assets of the Company) and management actions of special significance that require the approval of the General Meeting in compliance with legal precedents;
- liquidation of the Company;
- continuation of the liquidated Company after the resolution on liquidation or expiry of the time period;
- approval to conclude or amend affiliation agreements (*Unternehmensverträge*); and
- measures within the meaning of the UmwG.

Such amendments of the Articles of Association require a resolution of the General Meeting which must be adopted by a majority of at least 75% of the Company's share capital represented when the resolution is passed.

18.6 Corporate Governance Code

Following the Admission to Trading of the Preferred Shares, the Company is subject to the obligation to render a declaration of compliance (*Entsprechungserklärung*) pursuant to Section 161 AktG as to compliance with the Code.

The Code makes proposals concerning the management and supervision of German-listed companies. It is based on internationally and nationally recognized standards of good, responsible governance. The Code contains principles (*Grundsätze*), recommendations ("*shall provisions*") and suggestions ("*should provisions*") for corporate governance in relation to shareholders and the general meeting, the executive board and the supervisory board, transparency and accounting and auditing of financial statements. The Code aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees and the general public. Compliance with the Code's recommendations or suggestions is not obligatory. German stock corporation law only requires the executive board and the supervisory board of a German listed company to provide an annual statement regarding whether or not the recommendations in the Code were complied with. Alternatively, the executive board and the supervisory board of a German listed company must explain which recommendations have not been complied with and are not being applied, as well as the reasons underlying this non-compliance (co-called comply or explain). The declaration of compliance (*Entsprechungserklärung*) must be publicly available on the Company's website at all times.

As of the date of this Prospectus, the Company—as a corporation whose shares are not yet admitted to trading on the regulated market of a stock exchange—does not comply with all recommendations of the Code.

Following the admission of the Company's issued Preferred Shares to trading on the Frankfurt Stock Exchange, the Company intends to comply with all recommendations of the Code, except for the recommendation C.2 of the Code on the determination of an age limit for members of the Supervisory Board, where a deviation from the recommendation of the Code may be declared.

19 UNDERWRITING

19.1 General

On September 19, 2022, the Company, the Selling Shareholder, Volkswagen AG and the Banks entered into the Underwriting Agreement relating to the offer and sale of the Offer Shares in connection with the Offering. Under the terms of the Underwriting Agreement and subject to certain conditions contained therein, including the execution of a pricing agreement, each of the several Banks has agreed to purchase an aggregate of up to 113,875,000 Preferred Shares, failing which each Underwriter will be obligated to acquire up to the maximum number of Offer Shares set forth below next to the relevant Underwriter's name:

Name	Address	Maximum number of Base Shares to be purchased	Maximum number of Greenshoe Shares to be purchased	Maximum percentage of purchased Base Shares and Greenshoe Shares(*)
				(in %)
BofA Securities Europe SA	51, rue La Boétie, 75008 Paris France	17,328,805	2,599,321	17.50
Citigroup Global Markets Europe AG	Reuterweg 16 60323 Frankfurt am Main Germany	17,328,805	2,599,321	17.50
Goldman Sachs Bank Europe SE	Marienturm Taunusanlage 9-10 60329 Frankfurt am Main Germany	17,328,805	2,599,321	17.50
J.P. Morgan SE	Taunustor 1 TaunusTurm 60310 Frankfurt am Main Germany	17,328,805	2,599,321	17.50
BNP PARIBAS	16, boulevard des Italiens, 75009 Paris, France	4,951,087	742,663	5.00
Deutsche Bank Aktiengesellschaft	Taunusanlage 12, 60325 Frankfurt am Main, Germany	4,951,087	742,663	5.00
Morgan Stanley Europe SE	Große Gallusstraße 18, 60312 Frankfurt am Main, Germany	4,951,087	742,663	5.00
Banco Santander, S.A.	Paseo de Pereda, 9-12, Santander, Spain	3,713,315	556,997	3.75
Barclays Bank Ireland PLC	One Molesworth Street, Dublin 2, Ireland, D02 RF29	3,713,315	556,997	3.75
Société Générale	29 boulevard Haussmann, 75009 Paris, France	3,713,315	556,997	3.75
UniCredit Bank AG	Arabellastrasse 12, 81925 Munich, Germany	3,713,314	556,996	3.75

(*) Assuming all Base Shares are placed, and all Over-Allotment Shares are placed (full exercise of the Greenshoe Option).

In connection with the Offering, each of the Banks and any of their respective affiliates may take up a portion of the Offer Shares in the Offering as a principal position and, in that capacity, may retain, purchase or sell such Offer Shares or related investments for its own account and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Banks or any of their respective affiliates acting in such capacity. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares. None of the Banks or any of their respective affiliates intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

19.2 Underwriting Agreement

In the Underwriting Agreement, the Underwriters agreed to underwrite and the Banks agreed to purchase the Offer Shares with a view to offering them to investors in the Offering, subject to certain conditions, including the execution of a pricing agreement to determine the Offer Price (as described below).

The Banks agreed to purchase the Base Shares from the holdings of the Selling Shareholder, to sell the Base Shares to investors as part of the Offering and to remit the purchase price, less agreed commissions, to the Selling Shareholder at the time the Base Shares are delivered to investors.

The Underwriting Agreement does not provide for a firm commitment of the Underwriters or the further Banks. The obligations of the Banks under the Underwriting Agreement are rather subject to various conditions, including (i) the pricing agreement of the Banks and the Selling Shareholder and the Company on the Offer Price and the final volume of the Base Shares to be purchased by the Banks, (ii) the absence of a material adverse event (*e.g.*, a material loss or interference sustained by the Company or the Group with respect to its respective business, a material adverse change, or any development involving a prospective material adverse change in the condition, financial position or otherwise, shareholders' equity, results of operations, business, properties, management or prospects of the Company or the Group, or a suspension or material limitation on trading in securities in general on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange, or a material disruption in securities settlement, payment or clearance services in Europe, the United Kingdom or the United States), (iii) the receipt of customary certificates, legal opinions and auditor letters, and (iv) the introduction of the Preferred Shares to trading on the Frankfurt Stock Exchange.

The Banks have provided, and may in the future provide, services to the Group in the ordinary course of business and may extend credit to, and have regular business dealings with, the Group in their respective capacities as financial institutions. For a more detailed description of the interests of the Banks in the Offering, see "*3.14 Interests of Parties Participating in the Offering*".

19.3 Commission

The Selling Shareholder and/or Volkswagen AG have agreed to pay the Underwriters a base fee equal to 0.6% of the gross proceeds of the Offering (including the proceeds from the Over-Allotment to the extent the Greenshoe Option has been exercised, but excluding gross proceeds from the sale of Offer Shares to a Cornerstone Investor) (together the "**Base Fee**"). In addition, the Selling Shareholder and/or Volkswagen AG (pro rata in relation to the Base Shares sold and the Over-Allotment Shares to the extent the Greenshoe Option has been exercised) may, in their sole discretion, decide to award the Underwriters a discretionary fee of up to 0.4% of the gross proceeds of the Offering (including the proceeds from the Over-Allotment to the extent the Greenshoe Option has been exercised, but excluding gross proceeds from the sale of Offer Shares to a Cornerstone Investor) (the "**Discretionary Fee**"). The maximum amount of the Discretionary Fee (if any) to be awarded to each individual Underwriter will be determined by the Selling Shareholder and/or Volkswagen AG in their sole discretion. The maximum amount payable as the sum of the Base Fee and the Discretionary Fee is capped at EUR 125 million. Further, the Co-Lead Managers and UBS AG will each receive base fees and discretionary fees which have been separately agreed with the Selling Shareholder and/or Volkswagen AG.

The Banks (and their respective affiliates) may withhold the Base Fee and certain expenses. The Discretionary Fees, if any, will be determined and paid within 30 calendar days after the closing date of the Offering. The Selling Shareholder and/or Volkswagen AG have also agreed to reimburse, in certain scenarios, the Banks for all reasonable and properly documented out-of-pocket expenses incurred by the Banks in connection with the Offering.

19.4 Securities Loan and Greenshoe Option

To cover potential Over-Allotments, the Selling Shareholder has agreed to make available to the Stabilization Manager, acting in its own name and for the account of the Underwriters, up to 14,853,260 Over-Allotment Shares free of charge in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. Moreover, the Selling Shareholder granted the Underwriters a Greenshoe Option. The Stabilization Manager, acting in its own name and for the account of the Underwriters, is entitled to exercise the Greenshoe Option to the extent Over-Allotments are made. The number of shares of the Company that can be acquired under the Greenshoe Option is reduced by the number of shares held by the Stabilization Manager on the date when the Greenshoe Option is exercised and that were acquired by the Stabilization Manager in the context of Stabilization Measures, if any. The Greenshoe Option will terminate not later than 30 calendar days after the commencement of trading of the Preferred Shares.

19.5 Termination and Indemnification

The Banks may, under certain circumstances, terminate the Underwriting Agreement, including after the Offer Shares have been allotted and admitted to trading, up to the closing of the Offering, in particular, if any of the following has occurred:

- a material adverse change in or affecting the condition, business, prospects, management, financial position, shareholders' equity, or results of operations of the Group;
- a suspension or material limitation in trading in securities in general on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange, or a material disruption in securities settlement, payment or clearance services in Europe, the United Kingdom or the United States; or
- the imposition of exchange controls by, outbreak or escalation of hostilities involving each of, declaration of occurrence of a national emergency or war by or the occurrence of any acts of terrorism or any other calamity or crisis or any change or material deterioration in national, EU or international monetary, financial, political or economic conditions or currency exchange rates or controls in Germany, the EU, the United States or the United Kingdom.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery of Offer Shares. Claims with respect to subscription fees already paid and costs incurred by an investor in connection with the purchase of Offer Shares will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

In the Underwriting Agreement, the Selling Shareholder, Volkswagen AG and the Company have agreed to indemnify the Banks against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

19.6 Selling Restrictions

The distribution of the Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder or the Banks to permit a public offering of the Offer Shares anywhere other than in Germany, Austria, France, Italy, Spain and Switzerland or the transmission or distribution of the Prospectus into any other jurisdiction where action for that purpose may be required. This Prospectus has been approved by the German Federal Financial Supervisory Authority (see "*2.1 Responsibility for the Contents of this Prospectus*") and notified in accordance with Article 25 of the Prospectus Regulation to FMA, AMF, CONSOB and CNMV.

The Prospectus is being filed on September 19, 2022, immediately after approval by BaFin, with the SIX Exchange Regulation Ltd. pursuant to article 54(2) of the Swiss Financial Services Act, and may be obtained free of charge in electronic form at investorrelations.porsche.com or in printed form, upon request from UBS AG, Investment Bank, Swiss Prospectus Switzerland, P.O. Box, 8098 Zurich Switzerland (voicemail: +41-44-239 47 03; fax number: +41-44-239 69 14; email: swiss-prospectus@ubs.com).

Accordingly, neither the Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than in Germany, except under circumstances that will result in compliance with applicable laws and regulations. Persons taking possession of the Prospectus are required to inform themselves about, and observe any, such restrictions, including those set out in the following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Company does not intend to register either the Offering or any portion of the Offering in the United States, or to conduct a public offering of shares in the United States. The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with the securities regulators of individual states of the United States. The Offer Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, except pursuant to an exemption from the registration and reporting requirements of the

United States securities laws and in compliance with all other applicable United States legal requirements. The Offer Shares may only be sold in or into the United States to persons who are QIBs within the meaning of Rule 144A in transactions exempt from the registration requirements of the Securities Act, and outside the United States in accordance with Rule 903 of Regulation S and in compliance with other United States legal requirements. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker dealers who are registered as such under the U.S. Securities Exchange Act of 1934. Terms used above shall have the meanings ascribed to them by Regulation S and Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale does not comply with Rule 144A or another exemption from registration under the Securities Act.

In relation to each Member State of the European Economic Area and the United Kingdom (each a "**Relevant State**"), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that the Offer Shares may be offered to the public in that Relevant State at any time

- to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation; or to fewer than 150 natural or legal persons per member state of the EEA (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1 para. 4 of the Prospectus Regulation and/or within Section 86 of the United Kingdom Financial Services and Markets Act 2000, as amended (the "**FSMA**"), as applicable,

provided that no such offer to the public of the Offer Shares shall require the Company or any Bank to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or Section 85 of the FSMA, as applicable, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this Section 19.6 of this Prospectus, the expression "**offer to the public**" in relation to the Offer Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares, including any placing of Offer Shares through financial intermediaries, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, and/or, as applicable, such Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

In addition, in the United Kingdom, this Prospectus is only addressed to and directed to qualified investors within the meaning of Article 2 of the Prospectus Regulation (i) who have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and/or (ii) who are high net worth entities falling within Article 49 paras. 2(a) through (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and/or (iii) who are other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

19.7 Other Interests of the Banks in the Offering

In connection with the Offering and the admission to trading of the Preferred Shares, the Banks have formed a contractual relationship with the Company, Volkswagen AG and the Selling Shareholder.

The Banks are acting exclusively for the Company, Volkswagen AG and the Selling Shareholder on the Offering and no one else in connection with coordinating the structuring and execution of the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will neither be responsible to anyone other than the Company, Volkswagen AG and the Selling Shareholder for providing the protections afforded to their respective clients, nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein. In addition, Goldman Sachs has been appointed to act as designated sponsor (to be performed by Baader Bank AG) for the Preferred Shares and Deutsche Bank has been appointed to act as paying agent.

Upon successful implementation of the Offering, the Banks will receive a commission, the amount of which depends on the results of the Offering. As a result of these contractual relationships, the Banks have a financial interest in the success of the Offering at the best possible terms.

The Banks or their affiliates have, and may from time to time in the future continue to have, business relations with companies of the Group, including lending activities, or may perform services for the Company or the Selling Shareholder in the ordinary course of business.

20 TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

Income received from the shares of the Company is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the investor and the tax laws of the Company's state of incorporation, statutory seat and place of effective management, i.e., Germany, might have an impact on the income received from the shares of the Company.

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany). The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for investors. In particular, this summary does not provide a comprehensive overview of tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Germany. The information is based on the tax laws in force in Germany as of the date of this Prospectus (and their interpretation by administrative directives and courts), as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change, sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual potential investors. Potential investors are therefore advised to consult their tax advisors regarding the individual tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisors are in a position to take the specific tax-relevant circumstances of individual investors into due account.

20.1 Taxation of the Company

As a rule, the taxable profits generated by corporations with their seat or place of management in Germany are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (*i.e.*, 15.825% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are 100% exempt from corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*)), but 5% of such receipts are treated as nondeductible business expenses and are therefore subject to corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon), having the effect that dividends and other profit shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon). However, as an exception to the above, dividends that the Company receives from domestic or foreign corporations are subject to corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*) thereon), if the Company holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter in all cases, a "**Portfolio Participation**"—*Streubesitzbeteiligung*). Participations of at least 10% acquired in accordance with the view of the German tax authorities in a single transaction during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurship (*Mitunternehmerschaften*)) are attributable to the Company only on a pro rata basis at the ratio of the interest share of the Company in the equity of the relevant partnership.

The Company's gains from the disposal of shares in a domestic or foreign corporation are in general 100% exempt from corporate income tax (including the solidarity surcharge (*Solidaritätszuschlag*) thereon), regardless of the size of the participation and the holding period. However, 5% of the gains are treated as nondeductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*) thereon) at a combined rate of 15.825%, having the effect that gains from the disposal of shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon), irrespective of whether or not the Company holds a Portfolio Participation. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes.

Additionally, the Company is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) generated at its permanent establishments maintained in Germany (*inländische Betriebsstätte*). The average trade tax rate in Germany amounts to approximately 15% (with a statutory minimum rate of 7%) of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority in which the taxpayer maintains its operations or permanent establishments. When determining the income of the Company, trade tax may not be deducted as a business expense.

In principle, profits or losses derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax purposes (as described above). Contrary to this, profit shares derived from domestic or foreign corporations are only effectively 95% exempt from trade tax, if, at the beginning of the relevant assessment period for German trade tax purposes, the Company held an interest of at least 15% in the share capital of the company making the distribution. If and to the extent the Company and its German subsidiaries form a tax group for corporate income and trade tax purposes (*ertragsteuerliche Organschaft*), the profits and losses are generally effectively consolidated and subject to German corporate income and trade tax at the level of the Company.

The provisions of the so-called interest barrier (*Zinsschranke*) limit the degree to which expenses for debt financing are deductible from the tax base. Accordingly, as a general rule, interest (and other debt financing) expenses exceeding interest income are not deductible to the extent such net expenses exceed 30% of the EBITDA as determined for tax purposes in a given financial year, if the Company's net interest expense is, or exceeds, EUR 3 million (*Freigrenze*) and no other exceptions apply. Non-deductible interest expenses must be carried forward to subsequent financial years. EBITDA that has not been fully utilized can, under certain circumstances, be carried forward to subsequent years (for up to five years) and may be deducted subject to the limitations set out above. If such EBITDA carry forward is not used within the five subsequent financial years, it will be forfeited. For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier are generally added when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is generally only 75% of the interest expenses deductible for purposes of corporate income tax. The constitutionality of the interest barrier is currently under review by the Federal Constitutional Court (*Bundesverfassungsgericht*).

Under certain conditions, future negative income of the Company that has not been offset by current year positive income can be carried forward or back into other assessment periods. Loss carry backs to the immediately preceding assessment period (respectively the two preceding assessment periods as from 2022 onwards) are only permissible up to EUR 1 million (increased to EUR 10 million for losses incurred in the assessment period 2020 until and including the assessment period 2023 as part of the Covid-19 tax reliefs) for corporate income tax but not at all for trade tax purposes. Negative income that has not been offset against current income and not carried back can be used to fully offset taxable income for corporate income tax and trade tax purposes of up to an amount of EUR 1 million. If the taxable income or the taxable trade profit exceeds this amount, only up to 60% of the excess amount may be offset against tax loss carry forwards. The remaining 40% of the taxable income is subject to tax in any case (minimum taxation—*Mindestbesteuerung*). Unused tax loss carry forwards can, as a general rule, be carried forward indefinitely and deducted from future taxable income in accordance with this rule. However, if more than 50% of the Company's share capital or voting rights, respectively, is/are transferred to a purchaser or group of purchasers within five years, directly or indirectly, or if a similar situation arises (harmful share acquisition—*schädlicher Beteiligungserwerb*), the Company's unutilized losses and interest carry forwards (possibly also EBITDA carry forwards) will generally be forfeited in full and, subject to certain exceptions, may not be offset against future profits. The Company's unutilized losses and interest carry forwards are not forfeited, if and to the extent the Company's unutilized losses and interest carry forwards are covered by certain built-in gains (*stille Reserven*) that are subject to domestic taxation. In addition, the Company's unutilized losses may, upon application and under certain conditions, not be forfeited based on the continuity of business exemption (*fortführungsgebundener Verlustvortrag*). This exemption generally applies to harmful share acquisitions (*schädlicher Beteiligungserwerb*) conducted after December 31, 2015. The constitutionality of the change of ownership rule stipulating a full forfeiture of unused losses, loss carry forwards and interest carry forwards is currently pending with the Federal Constitutional Court (*Bundesverfassungsgericht*).

The regime for the taxation of the Company as described above is applicable as of January 1, 2023. Different rules apply until December 31, 2022 because the Company is still a member of a tax group for corporate income tax purposes and trade tax purposes with Volkswagen AG up to and including December 31, 2022.

20.2 Taxation of Shareholders

20.2.1 Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares (see "*20.2.2 Taxation of Dividends*"), taxation in connection with the sale of shares (see "*20.2.3 Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares (see "*20.2.5 Inheritance and Gift Tax*").

20.2.2 Taxation of Dividends

20.2.2.1 *Withholding Tax*

As a general rule, the dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% plus a solidarity surcharge (*Solidaritätszuschlag*—regarding any amendments to the levy of solidarity surcharge as of 2021, see "*20.2.8 Partial Abolition of the Solidarity Surcharge* (*Solidaritätszuschlag*) *as of 2021*") of 5.5% thereon (*i.e.*, 26.375% in total plus church tax (*Kirchensteuer*), if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*, "**KStG**")); in this case, no withholding tax would be withheld. However, these payments would reduce the acquisition costs of the shares and may, consequently, increase a taxable gain upon the disposal of the shares. The assessment basis for the withholding tax is the dividend approved in the general meeting. Following the decision of the lower tax court of Lower Saxony of March 18, 2022 (7 K 120/21) the German Federal Constitutional Court (*Bundesverfassungsgericht*) is currently reviewing whether the special withholding tax rate of 25% is constitutional (2 BvL 6/22).

As the shares of the Company are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is levied for the account of the shareholders (i) by the domestic credit or financial services institution (*inländisches Kredit oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or disburses the dividends to a foreign agent, (ii) by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*), or (iii) by the Company itself if and to the extent shares held in collective custody (*Girosammelverwahrung*) by the central securities depository (*Wertpapiersammelbank*) are, however, treated as so-called "*abgesetzte Bestände*" (stock being held separately) (hereinafter in all cases, the "**Dividend Paying Agent**").

The Company does not assume any responsibility for the withholding of taxes on distributions at source, in accordance with the statutory provisions, other than in cases of (iii) above.

In general, the withholding tax must be withheld without regard to whether and to which extent the dividend is exempt from tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a parent company domiciled in another Member State within the meaning of Article 2 of the Council Directive 2011/96/EU of November 30, 2011, as amended (the "**Parent Subsidiary Directive**"), may be refunded upon application and subject to further conditions (such as the German anti-treaty shopping rules, which are described below). This also applies to dividends distributed to a permanent establishment of such a parent company in another Member State or to a permanent establishment in another Member State of a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. The refund of withholding tax under the Parent Subsidiary Directive further requires that the shareholder has directly held at least 10% of the company's registered share capital for 12 months and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*, Hauptdienstsitz Bonn-Beuel, An der Küppe 1, 53225 Bonn, Germany).

If, in the case of a holding of at least 10% of the Company's registered share capital, shares held in collective custody (*Girosammelverwahrung*) by the central securities depository (*Wertpapiersammelbank*) are treated as so-called "*abgesetzte Bestände*" (stock being held separately), the main paying agent (*Hauptzahlstelle*) of the Company—upon presentation of an exemption certificate (*Freistellungsbescheinigung*) and a proof that this stock has been held separately—may be entitled in accordance with the view of the German tax authorities to disburse the dividend without deducting withholding tax. An exemption certificate may be granted upon application (using official application forms) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) at the address specified above, subject to the German anti-treaty shopping rules.

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the respective shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the address specified above)) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge (*Solidaritätszuschlag*), and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office, subject to the German anti-treaty shopping rules.

Forms for the reimbursement and exemption from the withholding at source procedure (the latter only being available to shareholders, which qualify as corporations) are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) at the address specified above or online at http://www.bzst.de.

If dividends are distributed to corporations subject to non-resident taxation in Germany, *i.e.*, corporations with no registered office (*Sitz*) or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany, nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at source can generally be refunded even if not all of the prerequisites for a refund under the Parent Subsidiary Directive or the relevant double taxation treaty are fulfilled, subject to the German anti-treaty shopping rules. The relevant application forms are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) at the address specified above.

The aforementioned possibilities for an exemption from, or a refund of, withholding tax depend on certain other conditions being met (particularly the fulfilment of so-called activity and substance requirements—*Aktivitäts*- und *Substanzerfordernisse*). Further requirements to the entitlement to claim withholding tax exemption or refund could arise from the European Commission's proposal for a Council Directive on the misuse of shell entities for improper tax purposes dated December 22, 2021, referred to as Anti-Tax Avoidance Directive 3. This draft Council Directive is however still subject to discussion and the legislative process has not yet been completed at both European and national level.

In addition, with respect to shares held as private or as business assets by shareholders that are subject to income taxation, the aforementioned relief in accordance with an applicable double taxation treaty may further depend on whether the prerequisites of the special rules on the restriction of withholding tax credit are fulfilled, which are described in the following.

The aforementioned credit of withholding tax described for shares held as private and as business assets (see "*20.2.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany*" and "*20.2.2.3 Taxation of Dividends of Shareholders without a Tax Domicile in Germany*") is subject to the following three cumulative prerequisites in accordance with sec. 36a of the German Income Tax Act (*Einkommensteuergesetz*): (i) the shareholder has been the beneficial owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "**Minimum Holding Period**"—*Mindesthaltedauer*); (ii) the shareholder has been exposed (if taking into account counterclaims and claims against related parties) to at least 70% of the risk resulting from a decrease in value of the shares during the Minimum Holding Period (the minimum change in value risk; *Mindestwertänderungsrisiko*); and (iii) the shareholder is not obligated to forward (*vergüten*) these dividends, directly or indirectly, in total or predominantly to another person (the tests under (i) to (iii) above are together described as the "**Minimum Risk Test**"). In case the shareholder does not meet the Minimum Risk Test, three fifths of the withholding tax levied on the dividends is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income. Shareholders who do not meet the Minimum Risk Test but who have, nevertheless, not suffered a withholding tax deduction on the dividends (*e.g.*, due to the presentation of a non-assessment certificate), or have already obtained a refund of the taxes withheld, are obligated to notify their competent tax office thereof, declare withholding tax in the amount of 15% of the relevant dividends in accordance with the statutory formal requirements and to make the payment of an amount corresponding to the amount which would otherwise be withheld. As an exception to this rule, the Minimum Risk Test (and, if applicable, a corresponding notification and (re)payment obligation) does not apply to an investor if either (a) their amount of dividend income on shares (including shares from the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of EUR 20,000 in a given tax assessment period, or if (b) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. Further to the statutory amendments, the German Federal Ministry of Finance published a decree dated April 3, 2017 (BMF, Schreiben vom 3.4.2017, IV C 1—S 2299/16/10002, DOK 2017/0298180, BStBl. I 2017, p. 726, as amended by BMF, Schreiben vom 20.2.2018, IV C 1—S 2299/16/10002, DOK 2018/0121297, BStBl. I 2018, p. 308) outlining the treatment of transactions where the statutory Minimum Risk Test might not be applicable but in which a credit of withholding tax will nevertheless be denied as an anti-abuse measure.

In the event that a non-tax resident shareholder in Germany does not meet the requirements of the Minimum Risk Test, a refund of the withholding tax pursuant to a double taxation treaty is not available according to sec. 50j of the German Income Tax Act. This restriction only applies if (i) the applicable double taxation treaty provides for a tax reduction leading to an applicable tax rate of less than 15%, (ii) the shareholder is not a corporation that directly holds at least a participation of 10% of the equity capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt and (iii) the shareholder has not been, upon actual receipt of the dividend, the beneficial owner of the shares for a continuous period of at least one year.

Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

The Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for the loss set-off (*Verlustverrechnungstöpfe*) to allow for setting off of negative capital income with current and future positive capital income. A set-off of negative capital income at a Dividend Paying Agent with positive capital income at a different Dividend Paying Agent is not possible and can only be achieved in the course of the income tax assessment at the level of the respective investor. In this case, the taxpayer has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pots for the loss set-off exist. The application is irrevocable and has to reach the Dividend Paying Agent by December 15 of the respective year. Otherwise, the losses will be carried forward to the following year by the Dividend Paying Agent.

Withholding tax will not be withheld by a Dividend Paying Agent if the taxpayer provides the Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent the capital income does not exceed the annual lump sum allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) filing jointly) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the taxpayer provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office of the investor.

20.2.2.2 *Taxation of Dividends of Shareholders with a Tax Domicile in Germany*

(I) Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non-business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25% plus solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon (*i.e.*, 26.375% in total plus church tax (*Kirchensteuer*), if applicable). The income tax owed for this dividend income is in general satisfied by the withholding tax withheld by the Dividend Paying Agent (flat rate withholding tax—*Abgeltungsteuer*; see "*20.2.2.1 Withholding Tax*"). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump sum allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) assessed jointly). However, a shareholder may request that their capital investment income (including dividends) along with their other taxable income be subject to the progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in the case of married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) assessed jointly. In this case, the withholding tax would be credited against the progressive income tax and any excess amount would be refunded; in principle, such withholding tax credit or refund might be limited under the rules in connection with the Minimum Risk Test; however, the German Federal Ministry of Finance published a decree dated April 3, 2017 (BMF, Schreiben vom 3.4.2017, IV C 1—S 2299/16/10002, DOK 2017/0298180, BStBl. I 2017, p. 726, as amended by BMF, Schreiben vom 20.2.2018, IV C 1—S 2299/16/10002, DOK 2018/0121297, BStBl. I 2018, p. 308) according to which this provision should only exceptionally apply to shares held as private assets. Pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump sum deduction.

Exceptions from the special uniform income tax rate apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and work for the Company in a professional capacity, which enables them to exert significant entrepreneurial influence on the Company's business activities. In this situation, the tax treatment described below under "*20.2.2.2(II) Shares Held as Business Assets*" applies.

An automatic procedure for deducting church tax (*Kirchensteuer*) applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)). The church tax (*Kirchensteuer*) payable on the dividend is withheld and passed on by the Dividend Paying Agent. In this case, the church tax (*Kirchensteuer*) for dividends is satisfied by the Dividend Paying Agent withholding such tax. Church tax (*Kirchensteuer*) withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) by 26.375% of the church tax (*Kirchensteuer*) to be withheld on the dividends. If the shareholder has filed a blocking notice and no church tax (*Kirchensteuer*) is withheld by a Dividend Paying Agent, shareholders subject to church tax (*Kirchensteuer*) are obligated to declare the dividends in their income tax return. The church tax (*Kirchensteuer*) on the dividends is then levied by way of a tax assessment.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do not—contrary to the above—form part of the shareholder's taxable income. Dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) would reduce the shareholder's acquisition costs or, if the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*) exceeds the shareholder's acquisition costs, negative acquisition costs will arise. Both can result in a higher capital gain in case of the shares' disposal (see "*20.2.3 Taxation of Capital Gains*" below). This would not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of their legal predecessors at any point during the five years preceding the (deemed, as the case may be) disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Holding**"), and (ii) the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) exceeds the acquisition costs of the shares. In such aforementioned case, a dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) is deemed a sale of the shares and is taxable as a capital gain. In this case, the taxation corresponds with the description in "*20.2.3 Taxation of Capital Gains*" made with regard to shareholders maintaining a Qualified Holding.

(II) *Shares Held as Business Assets*

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the special uniform income tax rate. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid by the Dividend Paying Agent will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) or refunded in the amount of any excess. However, such withholding tax credit or refund might be limited if and to the extent the prerequisites in connection with the Minimum Risk Test are not met (see "*20.2.2.1 Withholding Tax*").

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in "*20.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in the case of a corporation, this is not undisputed).

Corporations

If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general 100% exempt from corporate income tax and the solidarity surcharge (*Solidaritätszuschlag*). However, 5% of the dividends are treated as a nondeductible business expense and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of 15.825%, having the effect that dividends and other profit shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon). In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends that the shareholder receives are no longer exempt from corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*) thereon), if the shareholder only held (or holds) a Portfolio Participation at the beginning of the calendar year. Participations of at least 10% acquired in accordance with the view of the German tax authorities in a single transaction during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a pro rata basis at the ratio of the interest share of the shareholder in the equity of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the shareholder held an interest of at least 15% in the share capital of the Company at the beginning of the relevant assessment period. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be nondeductible business expenses (amounting to 5% of the dividend). The average trade tax rate in Germany amounts to approximately 15% (with a statutory minimum rate of 7%) of the taxable trade profit but the (blended) trade tax rate applying to the respective shareholder might be lower or higher depending on the municipal trade tax multiplier applied by the relevant municipal authority in which the shareholder maintains its operations or permanent establishments.

Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of up to approximately 47.5% (plus church tax (*Kirchensteuer*), if applicable), the so-called partial income method (*Teileinkünfteverfahren*). Correspondingly, only 60% of the business expenses economically related to the dividends are tax deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled. In this latter case, the net amount of dividends, *i.e.*, after deducting directly related expenses, is exempt from trade tax. As a general rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Partnerships

If the shareholder is a partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "*Corporations*" above). If the partner is an individual, the taxation of the partner is generally in line with the principles described for sole proprietors (see "*Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have their personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, if the partnership is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, the dividends are generally subject to trade tax in the full amount at the partnership level if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to their profit share will generally be credited, either in full or in part, against their personal income tax by means of a lump sum method—depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer. If the partnership fulfils the prerequisites for the trade tax exemption privilege at the beginning of the relevant assessment period, the dividends (after the deduction of business expenses economically related thereto) should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of a corporation which is a partner of such partnership and to whom at least 10% of the shares in the Company are attributable on a look-through basis, since such portion of the dividends should be deemed to be nondeductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporation as partner of such partnership (which includes individual partners and should, under a literal reading of the law, also include any corporation as partner of such partnership to whom, on a look-through basis, only Portfolio Participations are attributable) should not be subject to trade tax.

Special rules apply to companies operating in the financial and insurance sectors, as well as to pension funds (see "*20.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

20.2.2.3 *Taxation of Dividends of Shareholders without a Tax Domicile in Germany*

Shareholders without a tax domicile in Germany, whose shares are allocable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect, the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see "*20.2.2.2(II) Shares Held as Business Assets*" in "*20.2.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany*"). The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess.

In all other cases, any German tax liability for dividends is satisfied by the withholding of the withholding tax by the Dividend Paying Agent. Withholding tax is only reimbursed in the cases and to the extent described above under "*20.2.2.1 Withholding Tax*".

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) are generally not taxable in Germany.

20.2.3 Taxation of Capital Gains

20.2.3.1 *Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany*

(I) *Shares Held as Non-Business Assets*

Gains on the disposal of shares acquired after December 31, 2008 by a shareholder with a tax domicile in Germany and held as non-business assets are generally—regardless of the holding period—subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, *i.e.*, 26.375% in total plus any church tax (*Kirchensteuer*) if applicable). If the entitlement to dividend payments is disposed of without the shares, the income from the sale of the entitlement to dividend payments is taxable. The same applies if shares are sold without the entitlement to dividend payments.

The taxable capital gain is computed from the difference between (i) the proceeds of the disposal, and (ii) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) exceed the acquisition costs, negative acquisition costs—which can increase a capital gain—can arise in the case of shareholders, whose shares are held as non-business assets and do not qualify as Qualified Holding.

Only an annual lump sum deduction of EUR 801 (EUR 1,602 for married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) assessed jointly) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses on disposals of shares may only be offset against gains on the disposal of shares.

If the shares are held in custody or administered by a domestic credit institution, domestic financial services institution, domestic securities trading company or domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (a "**Domestic Paying Agent**"), the tax on the capital gains will in general be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income at an aggregate withholding tax rate of 26.375% (including solidarity surcharge (*Solidaritätszuschlag*)) plus church tax, if any, on the capital gain and transferring it to the tax authority for the account of the seller. If the shares were held in custody or administered by the same Domestic Paying Agent after the acquisition of the relevant shares, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly relating to the sale, and the acquisition costs. If the shares are sold after being transferred to a Domestic Paying Agent, the aggregate withholding tax rate of 26.375% (including solidarity surcharge (*Solidaritätszuschlag*) thereon) plus church tax (*Kirchensteuer*), if any, will be applied to 30% of the gross sales proceeds unless the previous account bank is entitled and able to verify the actual acquisition cost in accordance with sec. 43a para. 2 sent. 3 to 7 of the German Income Tax Act. In any case, the shareholder is entitled to demonstrate the actual acquisition costs of the shares in the annual tax return.

The shareholder can apply for his or her total capital investment income together with his or her other taxable income to be subject to the progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in the case of married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) assessed jointly. In this case, the withholding tax would be credited against the progressive income tax and any resulting excess amount would be refunded; limitations on offsetting losses are applicable. Further, pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses are nondeductible, except for the annual lump sum deduction.

If the withholding tax or, if applicable, the church tax (*Kirchensteuer*) on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his or her income tax return. The income tax and any applicable church tax (*Kirchensteuer*) on the capital gains will then be collected by way of assessment.

Generally an automatic procedure for deducting church tax (*Kirchensteuer*) applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) and church tax (*Kirchensteuer*) on capital gains is withheld by the Domestic Paying Agent and is deemed to have been paid when the tax is deducted. A deduction of the withheld church tax (*Kirchensteuer*) as a special expense is not permissible, but the withholding tax to be withheld (including the solidarity surcharge (*Solidaritätszuschlag*)) is reduced by 26.375% of the church tax (*Kirchensteuer*) to be withheld on the capital gains.

Regardless of the holding period and the time of acquisition, gains from the disposal of shares are not subject to a uniform withholding tax but to progressive income tax in the case of a Qualified Holding. In this case, the partial income method applies to gains on the disposal of shares, which means that only 60% of the capital gains are subject to German income tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even in case withholding tax is actually withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his or her capital gains in his or her income tax returns. The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid will be credited against the shareholder's income tax on his or her tax assessment (including the solidarity surcharge (*Solidaritätszuschlag*) and any church tax (*Kirchensteuer*), if applicable) or refunded in the amount of any excess.

(II) *Shares Held as Business Assets*

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to uniform withholding tax. The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the KStG) reduce the original acquisition costs. In case of disposal, a higher taxable capital gain can arise therefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

(i) **Corporations**: If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are in general 100% exempt from corporate income tax (including the solidarity surcharge (*Solidaritätszuschlag*)) and trade tax, currently, regardless of the size of the participation and the holding period. However, 5% of the gains are treated as nondeductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at an aggregate tax rate amounting to 15.825% and trade tax at the average trade tax rate in Germany of approximately 15% (depending on the municipal trade tax multiplier applied by the municipal authority in which the shareholder maintains its operations or permanent establishments, with a statutory minimum trade tax rate of 7%), having the effect that dividends and other profit shares are effectively 95% exempt from corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon) and trade tax. As a rule, losses on disposals and other profit reductions in connection with shares (*e.g.*, from a write-down) cannot be deducted as business expenses.

(ii) **Sole Proprietors**: If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (*Kirchensteuer*) (partial income method). Correspondingly, only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the shares are, in addition, subject to trade tax.

As a general rule, trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump sum tax credit method—depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer.

(iii) **Partnerships**: If the shareholder is a partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see "(i) Corporations" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply to the relevant partners accordingly (partial income method, see above under "(ii) Sole Proprietors"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his or her personal income tax rate for earnings not withdrawn from the partnership.

In addition, if the partnership is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, gains on the disposal of shares are subject to trade tax at the level of the partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not recognized for the purposes of trade tax if they are (i) attributable to the profit share of a corporation or (ii) taken into account at a ratio of 60% already in the context of the income determination of an individual. If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his or her profit share will generally be credited, either in full or in part, against his or her personal income tax by means of a lump sum method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to companies operating in the financial and insurance sectors, as well as to pension funds (see "*20.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

Withholding Tax

In the case of a Domestic Paying Agent, the gains of the sale of shares held as business assets are in general subject to withholding tax in the same way as shares held as non-business assets by a shareholder (see "*20.2.2.2(I) Shares Held as Non-Business Assets*" in "*20.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany*"). However, the Dividend Paying Agent will not withhold the withholding tax in accordance with sec. 43 para. 2 sent. 3 of the German Income Tax Act, if (i) the shareholder is a corporation, association of persons or estate with a tax domicile in Germany, or (ii) the shares belong to the domestic business assets of a shareholder, and the shareholder declares so to the Domestic Paying Agent using the designated official form and certain other requirements are met. If withholding tax is nonetheless withheld by a Domestic Paying Agent, the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid would generally be credited against the income or corporate income tax liability (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) or would generally be refunded in the amount of any excess.

20.2.3.2 *Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany*

Capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

In the case of a Qualified Holding, if the shareholder is a private individual, only 60% of the gains of the disposal of the shares are subject to progressive income tax plus the solidarity surcharge (*Solidaritätszuschlag*) (partial income method); however, most double taxation treaties provide for exemption from German taxation and assign the right of taxation to the shareholder's country of residence. According to the tax authorities, there is no obligation to withhold withholding tax at source in the case of a Qualified Holding if the shareholder submits to the Domestic Paying Agent a certificate of domicile issued by a foreign tax authority.

If the selling shareholder has a Qualified Holding in the Company and the selling shareholder is a corporation, which is not protected under a double taxation treaty, which fully exempts any capital gain from taxation in Germany, any capital gain of such shareholder is nevertheless fully tax exempt under German domestic rules without the application of 5% deemed non-deductible business expenses pursuant to the decision of the German Federal Tax Court (*Bundesfinanzhof*) dated May 31, 2017 (BStBl. II 2018, p. 144).

With regard to gains or losses of the disposal of shares belonging to a domestic permanent establishment or fixed place of business or which are part of business assets for which a permanent representative in Germany has been appointed, the abovementioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply *mutatis mutandis* (see "*20.2.2.2(II) Shares Held as Business Assets*" in "*20.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

20.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are fully taxable. Since January 1, 2017, the aforementioned exclusions of (partial) tax exemptions for corporate income tax and trade tax purposes apply to shares which, in the case of credit institutions, securities institutions or financial services institutions, are to be allocated to the trading portfolio (*Handelsbestand*) within the meaning of the HGB. As a consequence, such credit institutions, securities institutions or financial services institutions cannot benefit from the partial income method and are not entitled to the effective 95% exemption from corporate income tax, solidarity surcharge and trade tax. Therefore, dividend income and capital gains are fully taxable. The same applies to shares held by finance companies where (i) credit institutions, securities institutions or financial services institutions hold, directly or indirectly, a participation of more than 50% in the respective finance company, and (ii) the finance company must disclose the shares as current assets (*Umlaufvermögen*) as of the time they are initially recognized as business assets. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent Subsidiary Directive applies.

In addition, relief of German taxation may be available under an applicable double taxation treaty, subject to certain prerequisites, *e.g.*, substance requirements and holding periods, being met.

20.2.5 Inheritance and Gift Tax

The transfer of shares to another person *mortis causa* or by way of gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany;

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed; or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The fair market value of the shares represents the tax assessment base. This is in general the stock exchange price of the shares. Different tax rates apply depending on the degree of relationship between the decedent or donor and the recipient.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

20.2.6 Other Taxes

No German capital transfer taxes, value added tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares; however, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value added tax, to value added tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

20.2.7 The Proposed Financial Transaction Tax (FTT)

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive on a common financial transaction tax ("**FTT**"). According to such directive, the FTT shall be implemented in certain EU Member States, including Germany.

The proposed FTT has a very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The issuance and subscription of the shares should, however, be exempt.

In June of 2018, Germany and France agreed to further pursue the implementation of an FTT in the EU for which the current French financial transaction tax (which is mainly focused on transactions regarding shares in listed companies with a market capitalization of more than EUR 1 billion) could serve as a role model.

Any FTT proposal is, however, still subject to negotiation between (certain) EU Member States. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating EU Member States and when it will take effect with regard to dealings in the shares.

On December 9, 2019, the German Federal Finance Minister announced another final proposal for a Directive for a financial transaction tax implemented by way of the enhanced cooperation mechanism to nine other participating EU Member States ("**New FTT**"), which was revised again in April of 2020. In addition, the German Federal Finance Ministry further prepared the implementation of the FTT or New FTT by the creation of a new department (*Referat*) within the German Federal Finance Ministry. Such new department is referred to as "*Finanztransaktionsteuer* (*FTT*)" (Financial Transaction Tax (FTT)).

The proposed New FTT remains subject to negotiation between the participating EU Member States. Prospective investors are advised to seek their own professional advice in relation to the FTT and New FTT.

20.2.8 Partial Abolition of the Solidarity Surcharge (Solidaritätszuschlag) as of 2021

As of 2021, the solidarity surcharge (*Solidaritätszuschlag*), which is an additional levy on the income tax burden of taxable persons in an amount of 5.5%, has been partly abolished. Such abolition only affects individuals subject to income tax under the German Income Tax Act (*Einkommensteuergesetz*), hence corporations that are subject to corporate income tax under the German Corporate Income Tax Act (*Körperschaftsteuergesetz*) are not affected by such abolition at all. As a result of such new law, the solidarity surcharge would only be levied if the income tax burden (*tarifliche Einkommensteuer*) exceeds an exemption limit of EUR 16,956 (or EUR 33,912 in the case of married couples or registered civil unions (*eingetragene Lebenspartnerschaften*) filing jointly). If the taxable income of an investor exceeds such exemption limit, the solidarity surcharge rate increases continuously up to a total levy of 5.5% on the income tax burden.

However, the partial abolition of the solidarity surcharge does not affect the withholding of taxes (*Kapitalertragsteuer*). Solidarity surcharge will still be levied on the withholding tax amount and withheld accordingly. There will not be a refund of any solidarity surcharge (regardless of the aforementioned exemption limits) if the withholding tax cannot be refunded either.

21 TAXATION IN THE REPUBLIC OF AUSTRIA

Income received from the shares of the Company is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the investor and the tax laws of the Company's state of incorporation, statutory seat and place of effective management, i.e., Germany, might have an impact on the income received from the shares of the Company.

The following section presents a number of key Austrian taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares by a shareholder (an individual, a partnership or corporation) that has a tax residency in Austria (that is, whose place of residence, habitual abode, corporate seat or place of management is in Austria). The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for investors. In particular, this summary does not provide a comprehensive overview of tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Austria. The information is based on the tax laws in force in Austria as of the date of this Prospectus (and their concurrent interpretation by administrative directives and courts), as well as typical provisions of double taxation treaties that Austria has concluded with other countries. Tax law can change, sometimes even retrospectively. Moreover, it cannot be ruled out that the Austrian tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual potential investors. Potential investors are therefore advised to consult their tax advisors regarding the individual tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of Austrian withholding tax (Kapitalertragsteuer). Only such advisors are in a position to take the specific tax-relevant circumstances of individual investors into due account.

21.1 Tax residency

Private law corporations (*Körperschaften des privaten Rechts*), such as limited liability companies (*Gesellschaften mit beschränkter Haftung*) and stock corporations (*Aktiengesellschaften*), in the following referred to as corporations (*Körperschaften*), that have their seat or place of management in Austria (tax resident corporations) are subject to unlimited corporate income tax liability in Austria on their worldwide income (*unbeschränkte Körperschaftsteuerpflicht*) pursuant to the provisions of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*). Having neither its seat nor its place of (effective) management in Austria the Company is not tax resident in Austria.

Corporations (*Körperschaften*) that do not have their seat (*Sitz*) or place of management (*Ort der Geschäftsleitung*) in Austria (non-tax resident corporations), both as defined in sec. 27 of the Austrian Federal Fiscal Code (*Bundesabgabenordnung,* "**BAO**"), are subject to non-resident limited taxation in Austria (*beschränkte Körperschaftsteuerpflicht*) with certain types of income under the provisions of the Austrian Corporate Income Tax Act. In case a corporation establishes a permanent establishment (*Betriebsstätte*) for Austrian corporate income tax purposes, its permanent establishment will be subject to limited taxation in Austria. According to Austrian corporate income tax law, a permanent establishment is any fixed local installation or facility which serves the purpose of carrying out any business or economic activities of a foreign entity in Austria. The term includes, *inter alia*, (formal) branch offices, manufacturing plants, warehouses or certain permanent representatives (irrespective of a power to conclude contracts) in Austria.

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in sec. 26 of the BAO, in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*) pursuant to the provisions of the Austrian Income Tax Act (*Einkommensteuergesetz*, "**EStG**"). Individuals having neither a domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability, Austria's taxation right may be restricted in case a double-tax treaty (DTT) applies.

21.2 Taxation of Shareholders

21.2.1 Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares (see "*21.2.2 Taxation of Dividends*"), taxation in connection with the sale of shares (see "*21.2.3 Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares (see "*21.2.4 Former Inheritance and Gift Tax*").

21.2.2 Taxation of Dividends

21.2.2.1 *Withholding Tax*

As a general rule, dividends distributed to shareholders are subject to a withholding tax (*Kapitalertragsteuer*) of 27.5% in respect of individuals or of (currently) 25% in respect of corporate investors (see "*21.2.2.2(II) Shares Held as Business Assets*"). In Austria, withholding tax on dividends is withheld under certain circumstances if the transaction is settled by an Austrian Paying Agent (*inländische auszahlende Stelle*) which is the case when dividends are disbursed by an Austrian branch of an Austrian or non-Austrian credit institution (*Kreditinstitut*) or investment firms in the meaning of Directive 2013/36/EU or Directive 2004/39/EC.

The Company does not assume any responsibility for the withholding of taxes on distributions at source, in accordance with the statutory provisions.

In general, withholding tax must be withheld regardless of whether and to which extent the dividend is exempt from income tax at the level of the shareholder and whether the shareholder is tax resident in Austria or outside of Austria. The assessment basis for the Austrian withholding tax is the (gross) dividend amount approved in the general meeting.

No withholding obligation will apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (see German tax section "*20.2.2 Taxation of Dividends*"). According to the Austrian Ministry of Finance (section 5.5 of the decree regarding repayment of capital contributions and internal financing—*Einlagenrückzahlungs- und Innenfinanzierungserlass*; BMF-010203/0309-IV/6/2017) such requalification of dividends into tax-neutral repayments of capital contributions (*Einlagenrückzahlung*) may also apply to dividend payments made by foreign corporations provided that there is "appropriate" documentation for Austrian income tax purposes. In this case, no Austrian withholding tax would be withheld by the Austrian Paying Agent. However, such payments then reduce the acquisition costs of the shares and may, consequently, increase a taxable gain upon the disposal of the shares.

Additionally, the Austrian taxation of dividends may be restricted by the applicable DTT between Austria and Germany. Due to the applicable DTT between Austria and Germany, Germany may withhold 5% withholding tax in case of an Austrian corporation holding at least 10% of the share capital of the Company or 15% in any other case for dividend payments. The obligation for the Company to withhold taxes on distributions as well as the possibility to obtain a tax credit or refund in Germany including any superceding German withholding tax amount follow the description in the German tax section "*20.2.2.1 Withholding Tax*". According to the DTT between Austria and Germany any tax credit amount subject of the applicable DTT which is withheld in Germany (*i.e.*, up to 15%) is to be credited against the Austrian withholding tax of 27.5% in case of Austrian resident individual investors.

The aforementioned possibilities for an exemption from, or a refund of, Austrian withholding tax depend on certain conditions which need to be met (particularly the fulfilment of so-called activity and substance requirements—*Funktions*- und *Substanzerfordernisse*). In addition, with respect to shares held as private or as business assets by shareholders that are subject to income taxation, the aforementioned relief in accordance with an applicable DTT may further depend on whether the prerequisites of the special rules on the restriction of withholding tax credit are fulfilled, which are described below. Please note that pursuant to the decision of the Austrian Supreme Administrative Court (*VwGH*) dated June 28, 2022 (Ro 2022/13/0002) only the (beneficial) owner of the shares at the date of the distribution resolution at the shareholders meeting of the stock corporation is entitled to any Austrian tax reimbursements and tax exemptions.

Prospective holders of the shares are advised to seek professional tailor made tax advice in relation to the possibility to obtain a tax credit or refund of Austrian withholding tax on dividends.

The Austrian Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for the loss set-off (*Verlustverrechnungstöpfe*) to allow for automatically setting off of negative capital income with current and future positive capital income incurred in the same calendar year in case of shares being held as non-business assets. An automatic set-off of negative capital income only applies if exclusively one Austrian Paying Agent exists. In case more than one Austrian Paying Agent exist a set-off of negative capital income must be included in the annual income tax return of the investor. Otherwise, the losses incurred in shares held as non-business assets will not be carried forward to the following year. Losses with regard to shares held as business assets may not be automatically offset by the

Austrian Paying Agent but claimed in the annual income tax return of the investor and (to limited extent in case of sole proprietors) carried forward in future years.

In case of corporations as shareholders (including portfolio shareholdings) having an Austrian Paying Agent, these corporations may provide the Austrian Paying Agent with a respective exemption declaration (*Befreiungserklärung*) in order to benefit from the local Austrian dividend income tax exemption and, as a consequence, to avoid triggering Austrian withholding tax. The exemption declaration does not require any particular form, nor does it have to be made within a certain period of time. However, it can only be made/ submitted for the future. In any case, the tax authorities must be able to verify—via the exemption declaration—that the investment income is correctly titled as operating income of a corporation and thus exempt from Austrian withholding tax. Otherwise, the Austrian Paying Agent has to withhold Austrian withholding tax and the corporation has to declare the amount withheld in its annual corporate income tax return in order to be able to apply for a tax credit.

21.2.2.2 *Taxation of Dividends of Shareholders with a Tax Residency in Austria*

(I) Shares Held as Non-Business Assets

Dividends distributed to individuals as shareholders being tax resident in Austria and whose shares are held as non-business assets form part of their taxable investment income, which is subject to a special withholding tax rate of 27.5%. The Austrian withholding tax on investment income generally discharges such shareholders of any further income tax liability on such dividend income (final taxation—*Endbesteuerung*), which means that no further income tax is due and the dividends do not have to be included in the shareholder's income tax return (*Einkommensteuererklärung*). Dividends can generally be offset against losses on disposals and other profit reductions in connection with shares held as non-business assets in the same year via the Austrian Paying Agent or the annual income tax return (see "*21.2.2.1 Withholding Tax*"). However, no tax including withholding obligation will apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (see "*21.2.2.1 Withholding Tax*" and the German tax section "*20.2.2 Taxation of Dividends*").

If the dividend income is not subject to Austrian withholding tax (*e.g.,* in the absence of an Austrian Paying Agent), the Austrian individual as shareholder will have to include the dividends in its income tax return pursuant to the provisions of the EStG. Such income is generally taxed at a rate of 27.5%. Individual shareholders may opt to include the dividend in the individual income tax return to be subject to the progressive income tax rate as opposed to the uniform tax rate on investment income of 27.5% (*Regelbesteuerungsoption*). However, the option may not be exercised for particular dividend income. Rather, if this option is exercised, the individual's regular progressive income tax rate will apply to any other income from capital investments which would otherwise be subject to the special 27.5% or 25% uniform tax rate (*e.g.*, interest income from savings accounts or other non-securitized debt claims against credit institutions). Whether the use of the option is beneficial from a tax perspective must be assessed on a case-by-case basis and for this reason a tax advisor should be consulted.

In any case, investment income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends). This also applies when the option to regular taxation is exercised (see above).

Due to the DTT between Austria and Germany, Germany may withhold up to 15% withholding tax on dividends to Austrian resident shareholders being individuals whose shares are held as non-business assets. In order to avoid double taxation, Austria deducts any amount of tax which has already been paid in Germany of the Austrian tax obligation of 27.5%. The obligation for the Company to withhold taxes on distributions as well as the possibility to obtain a tax credit or refund including any superceding German withholding tax amount follow the explanations in the German tax section "*20.2.2.2.1 Withholding Tax*".

(II) Shares Held as Business Assets

The taxation of dividends (including the tax rate) from shares held as business assets of a shareholder with an Austrian tax residency depends on the qualification of the shareholder as an Austrian resident corporation, a sole proprietor or a partnership (co-entrepreneurship).

Dividend payments that are funded from the Company's contribution account for tax purposes and are paid to shareholders with tax residence in Austria whose shares are held as business assets are generally fully tax exempt (see "*21.2.2.1 Withholding Tax*" and German tax section "*20.2.2 Taxation of Dividends*").

Corporations

For corporations (*Körperschaften*) which are tax resident in Austria, dividend income from its shares in the Company is under the conditions of sec 10 of the Austrian Corporate Income Tax Act generally exempt from Austrian corporate income tax. In case of corporations as shareholders (including portfolio shareholdings) having an Austrian Paying Agent, such corporations may provide the Austrian Paying Agent with a respective exemption declaration (*Befreiungserklärung*) in order to benefit from the Austrian dividend tax exemption and to avoid Austrian withholding taxation. Otherwise, the Austrian Paying Agent has to withhold Austrian withholding tax and the corporation has to declare the amount withheld in its annual corporate income tax return in order to receive a tax credit or refund (see also section "*21.2.2.1 Withholding Tax*").

Additionally, the Austrian taxation regime of dividends is restricted by the DTT between Austria and Germany. Due to the DTT between Austria and Germany, Germany may withhold 5% withholding tax in case of an Austrian corporation holding at least 10% of the share capital of the Company or 15% in any other case for dividend payments. This German withholding tax is not covered by the Austrian corporate income tax exemption and has to be treated according to German tax law. In this respect, the obligation to withhold taxes on distributions as well as the possibility to obtain a tax credit or refund in Germany follows the explanations in the German tax section *"20.2.2.2.1 Withholding Tax*".

In any case, investment income-related expenses cannot be deducted from the corporation's capital investment income (including dividends).

Sole Proprietors

Dividends distributed to sole proprietors with a tax residency in Austria (see tax section "*21.2.2.2 Taxation of Dividends of Shareholders with a Tax Residency in Austria*"*)* whose shares are held as business assets form part of their taxable investment income, which is subject to a special income tax rate of 27.5%. For these sole proprietors, the Austrian withholding tax on investment income generally discharges of any further income tax liability on such dividend income (final taxation—*Endbesteuerung*), which means that no further income tax is due and the dividends do not have to be included in the sole proprietor's income tax return (*Einkommensteuererklärung*). Dividends can generally be set off against losses on disposals and other profit reductions in connection with shares held as business assets via the annual tax assessment (see "*21.2.3.1(II) Shares Held as Business Assets*" in "*21.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Residency in Austria*"). However, no income tax including withholding obligation will apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (see "*21.2.2.1 Withholding Tax*" and German tax section "*20.2.2 Taxation of Dividends*").

If the dividend income is not subject to Austrian withholding tax (*e.g.*, in the absence of an Austrian Paying Agent), the sole proprietor will have to include the dividends in its income tax return pursuant to the provisions of the EStG. Such income is taxed at a rate of 27.5%. Sole proprietors may opt to include the dividend in the individual income tax return to be subject to the progressive income tax rate as opposed to the uniform tax rate on investment income (*Regelbesteuerungsoption*). However, the option may not be exercised for particular dividend income. Rather, if this option is exercised, the sole proprietor's regular progressive income tax rate will apply to any other income from capital investments which would otherwise be subject to the special 27.5% or 25% tax rate (*e.g.*, interest income from savings accounts or other non-securitized debt claims against credit institutions). Whether the use of the option is beneficial from a tax perspective must be assessed on a case-by-case basis and for this reason a tax advisor should be consulted.

Due to the DTT between Austria and Germany, Germany may withhold of up to 15% withholding tax on dividends in case of sole proprietors whose shares are held as business assets. In order to avoid double taxation, Austria credits the amount of tax which has already been withheld in line with the DTT in Germany (*i.e.*, up to 15%) against the Austrian withholding tax of 27.5%.

The obligation for the Company to withhold taxes on distributions as well as the possibility to obtain a tax credit or refund including any superceding German withholding tax amount follow the description in the German tax section "*20.2.2.1 Withholding Tax*".

In any case, investment income-related expenses cannot be deducted from the sole proprietor's capital investment income (including dividends). This also applies in case of the exercise of the option to regular taxation (see above).

Partnerships

If the shareholder is a tax transparent partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "Corporations" above). If the partner is an individual, the taxation of the partner is generally in line with the principles described for sole proprietors (see "Sole Proprietors" above).

In case all shareholders of a partnership are corporate investors themselves even an exemption declaration (see "*21.2.2.1 Withholding Tax*") may be possible with regard to Austrian withholding tax in case an Austrian Paying Agent exists.

Special rules may in particular apply to funds, foundations and other entities such as corporations under public law.

21.2.2.3 *Taxation of Dividends of Shareholders without a Tax Residency in Austria*

Individuals that do not have their domicile or habitual abode in Austria as well as corporations that do not have their seat or place of management in Austria are subject to non-resident limited taxation in Austria with certain types of income.

In general, dividend income from shares is only taxable in Austria if the respective income is attributable to a permanent establishment in Austria. In this respect, the provisions outlined above for shareholders with a tax residency in Austria whose shares are held as business assets by a corporation, sole proprietor, or partnership apply accordingly (see "*21.2.2.2(II) Shares Held as Business Assets*" in "*21.2.2.2 Taxation of Dividends of Shareholders with a Tax Residency in Austria*").

In case the individual or corporation is non-resident in Austria but the transaction is settled by an Austrian Paying Agent Austrian withholding tax in the amount of up to 27.5% might be withheld by the Austrian Paying Agent although the individual or corporation may not be subject to Austrian withholding tax. In such a case, the non-resident individual or corporation may provide the Austrian Paying Agent with proof of the non-tax-residency in Austria in advance (*e.g.*, by means of a foreign residence certificate) or may apply for a tax refund in Austria.

However, no income tax including withholding obligation will apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (see "*21.2.2.1 Withholding Tax*" and German tax section "*20.2.2 Taxation of Dividends*").

21.2.3 Taxation of Capital Gains

21.2.3.1 *Taxation of Capital Gains of Shareholders with a Tax Residency in Austria*

(I) *Shares Held as Non-Business Assets*

Gains on the disposal of shares (*Einkünfte aus realisierten Wertsteigerungen*) acquired after December 31, 2010 by an individual as shareholder with a tax residency in Austria and held as non-business assets are generally—regardless of the holding period—subject to a uniform tax rate of 27.5% on capital investment income in Austria.

The tax base is the difference between the sale proceeds and the acquisition costs. For shares held as non-business assets, the acquisition costs must not include ancillary acquisition cost (*Anschaffungsnebenkosten*). The requalification of dividends into tax-neutral repayments of capital contributions (see "*21.2.2.1 Withholding Tax*") reduces the acquisition costs for Austrian tax purposes.

Individual shareholders may opt to include the capital gains in their individual income tax return being subject to progressive income tax rate as opposed to the uniform tax rate on investment income (*Regelbesteuerungsoption*). However, the option may not be exercised for particular capital gains. Rather, if this option is exercised, the individual's regular progressive income tax rate will apply to any other income from capital investments which would otherwise be subject to the special 27.5% or 25% tax rate (*e.g.*, interest income from savings accounts or other non-securitized debt claims against credit institutions). Whether making use of the option is beneficial from a tax perspective must be assessed on a case-by-case basis and for this reason a tax advisor should be consulted.

Withdrawals (*Entnahmen*) and other transfers of shares from the securities account (*Depot*) would generally be considered as a sale; unless specified exemptions will be fulfilled like the transfer of the shares (i) to a securities account owned by the same taxpayer with the same depository (*depotführende Stelle*), (ii) to a securities account owned by the same taxpayer with an Austrian depository if the account holder has instructed the transferring Austrian depository to disclose the acquisition costs to the receiving Austrian depository or (iii) to a securities account owned by the same taxpayer with a non-Austrian depository, if the account holder has instructed the transferring Austrian depository to transmit the pertaining information to the competent tax office or has, in the case of transfers between foreign accounts, himself notified the competent Austrian tax office within a month; or (iv) without consideration (a) from a securities account with an Austrian depository to a securities account held by another taxpayer with an Austrian or non-Austrian depository, if the fact that the transfer has been made without consideration has been evidenced to the transferring bank or the transferring depository has been instructed to inform the Austrian tax office thereof or (b) from a securities account with a non-Austrian depository to a securities account held by another taxpayer with an Austrian or non-Austrian depository if the transferring taxpayer has himself notified the competent Austrian tax office within a month. The tax basis amounts to the fair market value at the time of transfer minus the acquisition costs.

Furthermore, circumstances leading to a loss of Austria's right to tax the shares *vis-à-vis* other countries, *e.g.*, a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale according to the EStG. In case of relocation of an individual to a member state of the European Union or to certain member states of the European Economic Area, a deferral of taxation may be available.

Losses on disposals and other profit reductions in connection with the shares held as non-business assets may only be offset against other investment income subject to the special 27.5% tax rate (including, for example, dividend payments). However, the losses may not be offset, *inter alia*, against interest income from savings accounts or other non-securitized debt claims against credit institutions (except for cash settlements and lending fees) or distributions effected by private foundations, employee participation foundations, foreign private law foundations and other comparable legal estates (*ausländische Stiftungen oder sonstigen Vermögensmassen, die jeweils mit einer Privatstiftung vergleichbar sind*). Losses may also not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to be taxed at the regular progressive income tax rate). Furthermore, losses may not be carried forward to subsequent years.

The income tax on capital gains is withheld if (i) the shares are deposited with an Austrian depository (*inländische depotführende Stelle*) or (ii) under certain circumstances in case the transaction is settled by an Austrian Paying Agent. For these shareholders, the Austrian withholding tax on investment income generally discharges of any further income tax liability on such income from capital gains (final taxation—*Endbesteuerung*), which means that no further income tax is due and the capital gains do not have to be included in the shareholder's income tax return (*Einkommensteuererklärung*). Austrian tax law provides for an automatic set-off by the Austrian depository of losses on disposals and other profit reductions in connection with the shares against other investment income from securities accounts at the same Austrian depository (subject to certain exemptions). In order to effect such a set-off of losses for securities held with different credit institutions, the individual shareholder generally has to exercise the option for the loss set-off upon filing the income tax return.

If the income from realized capital gains is not subject to Austrian withholding tax, the individual will have to include the income from realized capital gains in its annual income tax return pursuant to the provisions of the EStG.

In any case, investment income-related expenses cannot be deducted from the individual shareholder's capital investment income (including capital gains). This also applies in case the option to regular taxation is exercised (see above).

(II) *Shares Held as Business Assets*

The taxation of gains on the sale of shares held as business assets of a shareholder being tax resident in Austria depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship).

Dividend payments that are funded from the Company's contribution account for tax purposes reduce the original acquisition costs. In case of disposal, a higher taxable capital gain can arise therefrom (see "*21.2.2.1 Withholding Tax*" and German tax section "*20.2.2 Taxation of Dividends*").

Corporations

Capital gains realized by corporations that are tax resident in Austria are subject to Austrian corporate income tax in the amount of 25%. As part of the Austrian Eco-Social Tax Reform 2022, the corporate income tax rate shall be reduced in 2023 to 24% and in 2024 to 23%.

However, capital gains deriving from major foreign shareholdings can be tax exempt from Austrian corporate income tax (*internationale Schachtelbefreiung*). In order to benefit from this exemption, at least 10% of the Company's shares must be held by the respective corporation for a period of at least one year prior to its sale whereby the acquisition of economic ownership is relevant as starting point for this period.

Circumstances leading to the restriction of Austria's right to tax in favour of other countries are considered a sale and may lead to taxable income from realized capital gains. In a case where Austria's right to tax is restricted in relation to another member state of the European Economic Area, the corporate shareholder may request to pay the tax on such capital gains in five annual rates if the participation in the Company formed part of the shareholder's fixed capital assets, or in two annual rates if the participation in the Company was part of the shareholder's current assets (*i.e.*, working capital). Also, the withdrawal (*Entnahme*) and other transfers of shares from a securities account may be treated as disposals (sales), unless specified exemptions are fulfilled (see "*21.2.3.1(I) Shares Held as Non-Business Assets*" above).

Losses on disposals and other profit reductions in connection with the shares may generally be offset with other taxable income, however certain restrictions may apply (*e.g.*, for participations held as fixed assets (*zum Anlagevermögen gehördende Beteiligung*) the respective expense must be allocated over a period of seven years for tax purposes; losses or value depreciations in shares due to distributions (*ausschüttungsbedingte Teilwertabschreibung und ausschüttungsbedingter Verlust*) are not deductible for tax purposes). If there is no coverage in other income, the loss may be carried forward. Generally loss carryforwards may be used to offset an amount of up to 75% of the total income of a corporation.

The corporate income tax on capital gains is withheld if (i) the shares are deposited with an Austrian depository (*inländische depotführende Stelle*) or (ii) under certain circumstances in case the transaction is settled by an Austrian Paying Agent. In order to effect an offset of losses for securities held, the corporation generally has to include it in the annual corporate income tax return.

In any case, the corporation will have to include the income from realized capital gains in its annual corporate income tax return pursuant to the provisions of the Austrian Corporate Income Tax Act.

Sole Proprietors

Gains on the disposal of shares (*Einkünfte aus realisierten Wertsteigerungen*) acquired after December 31, 2010 by a sole proprietor with tax residency in Austria and held as business assets are generally—regardless of the holding period—subject to a uniform tax rate of 27.5% on capital investment income in Austria.

Sole proprietors may opt to include the capital gains in their individual income tax return being subject to progressive income tax rate as opposed to the uniform tax rate on investment income (*Regelbesteuerungsoption*). However, the option may not be exercised for particular capital gains. Rather, if this option is exercised, the individual's regular progressive income tax rate will apply to any other income from capital investments which would otherwise be subject to the special 27.5% or 25% tax rate (*e.g.*, interest income from savings accounts or other non-securitized debt claims against credit institutions). Whether the use of the option is beneficial from a tax perspective must be assessed on a case-by-case basis and for this reason a tax advisor should be consulted.

Circumstances leading to the restriction of Austria's right to tax in favour of other countries (*e.g.*, by an individual transferring his or her tax residency to another country) are considered a sale and may lead to taxable income from realized capital gains. In a case where Austria's right to tax is restricted in relation to another member state of the European Economic Area, the corporate shareholder may request to pay the tax on such capital gains in five annual rates if the participation in the Company formed part of the shareholder's fixed capital assets, or in two annual rates if the participation in the Company was part of the shareholder's current assets (*i.e.*, working capital). Also, the withdrawal (*Entnahme*) and other transfers of shares from a securities account may be treated as disposals (sales), unless specified exemptions are fulfilled (see "*21.2.3.1(I) Shares Held as Non-Business Assets*" above).

Losses from the sale of shares held as business assets and value depreciations of such assets must primarily be offset with positive income from capital gains and write-ups of such assets of the same business (*Betrieb*). Excess losses may be offset against other income to the extent of 55%. If there is no coverage in other income, the loss may be carried forward.

The income tax on capital gains is withheld if (i) the shares are deposited with an Austrian depository (*inländische depotführende Stelle*) or (ii) under certain circumstances in case the transaction is settled by an Austrian Paying Agent. In order to effect an offset of losses for securities held, the sole proprietor generally has to include it in the annual income tax return.

In any case, the sole proprietor will have to include the income from realized capital gains in his annual income tax return pursuant to the provisions of the EStG.

Investment income-related expenses cannot be deducted from the sole proprietor's capital investment income (including capital gains). This also applies in case the option to regular taxation is exercised (see above).

Partnerships

If the shareholder is a tax transparent partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends and capital gains contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "Corporations" above). If the partner is an individual and if the partnership runs a commercial business, the taxation of the partner is generally in line with the principles described for sole proprietors (see "Sole Proprietors" above). The principles described for shares held as non-business assets apply to partners who are individuals if the partnership qualifies as an asset management partnership (*vermögensverwaltende Personengesellschaft*).

Special rules may in particular apply to funds, foundations and other entities such as corporations under public law.

21.2.3.2 *Taxation of Capital Gains of Shareholders without Tax Residency in Austria*

Income from shares is, in general, only taxable in Austria if the respective income is attributable to a permanent establishment in Austria. With regard to gains or losses of the disposal of shares belonging to an Austrian permanent establishment, the abovementioned provisions pertaining to shareholders with a tax residence in Austria whose shares are business assets apply *mutatis mutandis* (see "*21.2.3.1(II) Shares Held as Business Assets*" in "*21.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Residency in Austria*").

21.2.4 Former Inheritance and Gift Tax

With the Austrian Gift Notification Act 2008 (*Schenkungsmeldegesetz 2008*), the Austrian inheritance tax (*Erbschaftssteuer*) as well as the Austrian gift tax (*Schenkungssteuer*) expired as of August 1, 2008. Donations, inheritances and gifting of assets both *inter vivos* and *mortis causa* after July 31, 2008 are subject to neither inheritance tax (*Erbschaftssteuer*) nor gift tax (*Schenkungssteuer*).

Pursuant to Section 121a of the BAO. the Austrian tax authorities must be notified of gifts (*Schenkungen*) which are made either by an Austrian resident donor or to an Austrian recipient. There are certain exemptions from this notification obligation: for example, for gifts among relatives that do not exceed an aggregate amount of EUR 50,000 per year or gifts among unrelated persons that do not exceed an aggregate amount of EUR 15,000 within five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10% of the fair market value of the assets transferred.

Certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to Austrian foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer Tax Act (*Stiftungseingangssteuergesetz*). Generally this is the case if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions may apply. The tax base is the fair market value of the transferred assets minus any debts at the time of transfer. Generally, the tax rate is 2.5%, with higher rates applying in certain cases (among others, in the event of transfers to certain non-Austrian foundations).

21.2.5 Other Taxes

No Austrian capital transfer taxes, financial transaction tax, wealth tax, value added tax, stamp duties or similar taxes are currently levied on the purchase or disposal of the shares.

21.2.6 The Proposed Financial Transaction Tax (FTT)

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive on a common financial transaction tax (FTT). According to such directive, the FTT shall be implemented in certain EU Member States, including Austria.

The proposed FTT has a very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The issuance and subscription of the shares should, however, be exempt from FTT.

Any FTT proposal is, however, still subject to negotiation between (certain) EU Member States. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating EU Member States and when it will take effect with regard to dealings in the shares.

On December 9, 2019, the German Federal Finance Minister announced another final proposal for a Directive for a financial transaction tax implemented by way of the enhanced cooperation mechanism to nine other participating EU Member States (New FTT). However, Austria did not agree to this proposal.

22 TAXATION IN FRANCE

22.1 General

This following summary is based on the tax laws and regulations in force in France as of the date of this Prospectus and such as applied by the French tax authorities, all of which are subject to changes or to different interpretation, potentially with retroactive effect. It does not purport to be a comprehensive description of all the French tax considerations which may be relevant for the investors.

Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual. In particular, this tax summary does not address the tax treatment of potential investors that are subject to special rules, such as partnerships, trusts or regulated investment companies, international organisations, banks or other financial institutions, insurance companies, among others. Prospective investors should consult their tax advisers as to the French and foreign tax treatment especially in light of their particular circumstances.

22.2 Withholding Tax

To the extent that the Company is not domiciled or established in France, the payments made on the shares of the Company to a beneficial owner of the shares of the Company which is not a French resident for tax purposes and does not hold the shares of the Company in connection with a permanent establishment or a fixed base in France will not be subject to a withholding tax (*retenue à la source*) in France.

22.3 French Resident Individuals

The following is an overview of French tax rules applicable to individuals, resident in France for tax purposes, who hold the shares of the Company as part of their private assets, who do not trade on the stock market on a regular basis and, accordingly, who are not considered as professional traders and who do not hold the shares of the Company through a share savings plan (*plan d'épargne en actions—PEA*). Individuals who engage in professional trading transactions or who hold their shares through a share savings plan should consult their tax advisers concerning the tax rules applicable in their specific case, it being specified that the Offer Shares cannot be held through a share savings plan (PEA).

22.3.1 Dividends

22.3.1.1 *Income Tax*

Pursuant to Article 117 quater of the French tax code (the "**French Tax Code**"), subject to the exceptions described below, individuals domiciled in France for tax purposes are subject, in the year of payment of the dividends, to a flat-rate withholding tax (*prélèvement forfaitaire non libératoire*) at the rate of 12.8% applied to the gross amount of the income distributed.

This withholding is made by the paying agent of the dividends if it is established in France. When the paying institution is established outside France, the income is declared and the corresponding levy is paid, within the first 15 days of the month following the month of payment of the income, either by the taxpayer himself or by the person who ensures the payment of the income, when it is established in a Member State of the European Union, or in another State party to the agreement on the European Economic Area having concluded an administrative assistance agreement with France to combat tax fraud and evasion, and when it has been mandated to this effect by the taxpayer.

However, individuals belonging to a tax household whose reference tax income (*revenu fiscal de référence*) for the penultimate year, as defined in 1° of IV of Article 1417 of the French Tax Code, is less than EUR 50,000 for single, divorced or widowed taxpayers and EUR 75,000 for taxpayers subject to joint taxation, may apply for exemption from this levy, under the conditions provided for in Article 242 quater of the French Tax Code, *i.e.*, by producing, at the latest on November 30 of the year preceding that of the payment of the distributed income, from the persons who ensure the payment of the income, a certificate indicating that their reference tax income in respect of the penultimate year preceding the payment of the said income is lower than the above-mentioned thresholds. Taxpayers who acquire shares after the deadline for filing the aforementioned exemption request may nevertheless, under certain conditions, file this exemption request with their paying agent at the time of the acquisition of these shares (BOI-RPPM-RCM-30-20-10-06/07/2021 n°320).

When the paying institution is established outside France, only individuals belonging to a tax household whose reference tax income for the penultimate year, is equal to or greater than the amounts mentioned in the paragraph above are subject to the levy.

The levy is not in full discharge of the income tax and, where applicable, of the exceptional contribution on high incomes. It constitutes an advance payment of income tax and may be deducted from the income tax due for the year in which it was paid (the income tax due being determined by applying the single flat-rate levy of 12.8% or, if the shareholder so chooses, the progressive scale), with any excess being refunded.

A tax on higher income (*Contribution exceptionnelle sur les hauts revenus*) is applicable at a rate of 3% to 4% on the reference tax income (*revenu fiscal de référence*) derived by individuals which exceeds EUR 250,000 (for single persons) or EUR 500,000 (for couples).

22.3.1.2 *Social Contributions*

In addition, the gross amount of any dividends distributed by the Company will also be subject to the full amount of social contributions at the global rate of 17.2%, broken down as follows

(i) the general social contribution (*Contribution sociale généralisée*) at a rate of 9.2%;

(ii) the contribution for the repayment of the social debt (*Contribution au remboursement de la dette sociale*) at a rate of 0.5%; and

(iii) the solidarity levy (*Prélèvement de solidarité*) at a rate of 7.5%.

If dividends are subject to income tax at the flat rate of 12.8%, these social security contributions are not deductible from taxable income. If taxpayers elect to have these dividends taxed at the progressive income tax rate, the general social contribution is partially deductible, up to 6.8% of the total taxable income in the year of payment, and the balance of the social contributions is not deductible from taxable income.

These social contributions are deducted and collected in the same way as the 12.8% flat tax described above when applicable, it being recalled that when the paying agent is established outside France, it is in principle the taxpayer who is liable for the social contributions (unless he/she gives a mandate in the conditions set out above for the flat tax). Shareholders are invited to contact their usual tax advisor in order to determine the terms of payment of the social withholding taxes when the 12.8% non-discharging levy does not apply.

22.3.2 Capital Gains

Capital gains realized on sales of the shares of the Company are subject to personal income tax either at the flat tax rate of 12.8%, or upon election of the taxpayer, to personal income tax at progressive rates, with a maximum rate of 45% (the election for a taxation at the progressive scale being global and then applied to all the savings income and capital gains of the taxpayer), as of the first euro earned, to which are added the following social contributions at an aggregate rate of 17.2%:

(i) a general social contribution (*Contribution sociale généralisée*) of 9.2%;

(ii) a solidarity levy (*Prélèvement de solidarité*) of 7.5%; and

(iii) a social security debt repayment contribution (*Contribution au remboursement de la dette sociale*) of 0.5%.

If capital gains are subject to income tax at the flat rate of 12.8%, these social security contributions are not deductible from taxable income. If taxpayers elect to have these capital gains taxed at the progressive income tax rate, the general social contribution is partially deductible, up to 6.8% of the total taxable income in the year of payment, and the balance of the social contributions is not deductible from taxable income.

A tax on higher income (*Contribution exceptionnelle sur les hauts revenus*) is applicable at a rate of 3% to 4% on the reference tax income (*revenu fiscal de référence*) derived by individuals which exceeds EUR 250,000 (for single persons) or EUR 500,000 (for couples).

Capital losses may only be used to offset capital gains of the same type incurred within the same year. In case of a remaining negative balance of capital losses, capital losses are then used to offset capital gains of the following 10 years.

22.3.3 Duties on Inheritance and Gift Tax

Subject to certain conditions, the shares of the Company inherited or received as gifts by individuals are subject to inheritance and gift taxes in France.

22.4 Legal Entities Subject to Corporate Income Tax in France

22.4.1 Dividends

Subject to applicable double tax treaties, dividends are included in the taxable income of the current financial year at the time of reception and are taxable at the standard French corporate income tax ("**French CIT**") rate of 25%, on top of which an additional contribution of 3.3% of the French CIT may be due under certain conditions.

Under certain conditions (notably a minimum holding period and threshold requirement), dividends may be exempt from French CIT, save for a 5% portion that will remain subject to French CIT at the standard rate.

22.4.2 Capital Gains

Subject to applicable double tax treaties, capital gains or losses realized on the sale of the Company securities by a legal entity subject to French CIT are subject to the short-term capital gains or short-term capital losses regime.

Capital gains are included in the taxable income of the current financial year at the time of their realisation and are taxable at the standard French CIT rate of 25%, on top of which an additional contribution of 3.3% of the French CIT may be due under certain conditions.

Under certain conditions provided by Article 219 I a quinquies of the French Tax Code (notably a minimum holding period and threshold requirement), capital gains may be exempt from French CIT upon the transfer of the shares, except for a lump sum of 12% of the gross amount of the capital gains.

Capital losses (other than those over shares meeting the conditions set forth in Article 219 I a quinquies of the French Tax Code) are charged against taxable income or contribute to the creation of losses carried forward under the conditions set forth by commonly applicable law.

23 TAXATION IN THE REPUBLIC OF ITALY

The statements herein regarding Italian taxation are based on the Italian laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made also on a retroactive basis.

The following does not purport to be a comprehensive description of all the Italian tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Offer Shares and does not purport to deal with the Italian tax consequences applicable to all categories of investors, some of which may be subject to special rules and does not in any way constitute, nor should it be relied upon as being, a tax advice or a tax opinion covering any or all of the relevant tax considerations surrounding or connected to the purchase, ownership or disposal of the Offer Shares by Italian or non-Italian resident investors. Prospective purchasers of the Offer Shares are advised to consult their own tax advisers concerning the overall Italian tax consequences of their ownership of the Offer Shares.

This overview will not be updated to reflect changes in laws and if such a change occurs the information in this overview could become invalid.

The interpretation of tax law provisions is often a matter characterized by a high degree of subjective judgement. The legal instrument designed to resolve cases of unclear interpretation and or application of tax law provisions is the ruling.

23.1 Introduction

For the purposes of this section of the Prospectus:

- references to "**Non-Qualified Shareholding**" are to shareholding in companies listed on regulated markets other than Qualified Shareholding;
- reference to "**Qualified Shareholding**" are to shareholding in companies listed on regulated markets represented by ownership of Offer Shares, rights or securities through which Offer Shares may be acquired which represent overall voting rights exercisable at ordinary shareholders' meetings of over 2% or an interest in the share capital of over 5%;
- reference to "**Transfer of Non-Qualified Shareholding**" are to transfer of Offer Shares, rights or securities through which Offer Shares may be acquired different from the transfer of Qualified Shareholding;
- reference to "**Transfer of Qualified Shareholding**" are to transfer of Offer Shares, rights or securities through which Offer Shares may be acquired, which exceed, over a period of twelve months, the threshold for their qualifications as Qualified Shareholding. The 12 months period starts from the date on which the securities and the rights owned represent an interest in the capital exceeding the aforesaid threshold. For rights or securities through which holdings can be acquired, it is considered the interest in the capital potentially attributable to the holdings.
- Pursuant to Article 44, paragraph 2, letter (a) of Italian Presidential Decree No. 917 of December 22, 1986 ("**Decree No. 917**"), the Offer Shares should qualify as "*shares or securities similar to shares*" for Italian income tax purposes and hence, dividends deriving from such shares should be subject to the same tax treatment applicable to Italian shares as described in the following paragraphs, if the remuneration of the Offer Shares (i) entirely consists in the participation to the profits of the Company and (ii) is entirely non-deductible by the Company for German corporate income tax purposes. In case that the Offer Shares do not meet any of the requirements under points (i) and (ii) above, the Offer Shares should not qualify as "*shares or securities similar to shares*", but should rather qualify as atypical securities (*titoli atipici*) and will be subject to the relevant tax regime described under paragraph 23.4 (*Atypical securities*) of this section. The qualification of the Offer Shares is characterized by a high degree of subjective judgement in respect of which a tax ruling procedure should be considered.

23.2 Taxation of dividends

The tax regime summarized under this paragraph 23.2 is relevant solely to the extent that the Offer Shares were to qualify as "*shares or securities similar to shares*" for Italian tax purposes, which is a matter subject to a high degree of subjective judgment, as mentioned in the previous paragraph "23.1 *Introduction*".

Italian resident persons

Individuals not engaged in a business activity

Under Italian income tax laws, dividends paid by the Company in connection with a Non-Qualified Shareholding to individual shareholders, not acting in the course of a business activity, resident for tax purposes in Italy are generally subject to a 26% withholding tax levied by financial intermediaries that intervene in the collection / crediting of the dividends. In this respect, the 26% withholding tax is levied on the amount of the dividends paid net of any foreign withholding taxes if the withholding agent is resident in Italy. In the event that the withholding agent is not resident in Italy, a 26% substitute tax is levied on the amount of dividends paid gross of any foreign taxes. In case that the dividends are not collected by any financial intermediary, the Italian resident shareholders generally must self-assess and pay the 26% withholding tax in their own annual income tax return.

If the individual shareholders (i) have entrusted the management of the Offer Shares to an authorised intermediary under a discretionary asset management contract, and (b) have opted for the so called "*regime del risparmio gestito*" (the "**Asset Management Regime**") according to Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended, the dividends are included in the annual accrued management result (*risultato maturato annuo di gestione*), which is subject to a 26% substitute tax.

Pursuant to Article 1 (999-1006) of Law No. 205 of December 27, 2017 (the "**Finance Act 2018**"), dividends paid as of January 1, 2018 by the Company in connection with a Qualified Shareholding, to individual shareholders resident for tax purposes in Italy not held in the context of the Asset Management Regime, are subject to the same 26% withholding tax regime applicable in connection with dividends received on Non-Qualified Shareholding. However, with respect to dividends paid on a Qualified Shareholding out of profits realized in the tax years up to that in progress on December 31, 2017, the previously applicable regime would continue to apply, provided that the distribution of such profits is approved between January 1, 2018 and December 31, 2022. In particular, such dividends would be included in the individual shareholder's taxable income, subject to Italian personal income tax ("**IRPEF**"), according to the following rules:

(a) for 58.14% of their amount as to dividends paid out of profits realized in the tax years up to that in progress on December 31, 2017;

(b) for 49.72% of their amount as to dividends paid out of profits realized in the tax years up to that in progress on December 31, 2016;

(c) for 40% of their amount as to dividends paid out of profits realized in the tax years up to that in progress on December 31, 2007.

For these purposes, profits realized in the tax years up to that in progress on December 31, 2017 and then, profits realized in the tax years up to that in progress on December 31, 2016 are deemed to be distributed first.

No foreign tax credit can be claimed by individual shareholders in relation to taxes paid abroad upon distribution of dividends deriving from the holding of the Offer Shares.

Individuals engaged in a business activity, partnership and similar entities

Under Italian income tax laws, dividends paid by the Company in connection with the holding of the Offer Shares to individuals engaged in a business activity, partnerships and similar entities are not subject to any withholding tax but are included in the taxable business income of the Italian shareholders and are subject to IRPEF, following the rules set out above with regards to Qualified Shareholding.

Companies and other commercial entities

Under Italian income tax laws, dividends paid by the Company in connection with the holding of the Offer Shares to companies and other commercial entities resident for tax purposes in Italy are not subject to any withholding tax. Italian resident corporations benefit from a 95% exemption on the amount of dividends paid pursuant to Article 89 of Decree No. 917. The remaining 5% of the dividends are included in the taxable business income of the Italian shareholders and are subject to general corporate income taxation ("**IRES**"). Banks and certain financial intermediaries are subject to a 3.5% IRES surtax.

However, for Italian shareholders, dividends are fully subject to IRES in the following circumstances:

(i) if dividends are paid to companies that adopt international accounting standards (IAS/IFRS) in relation to Offer Shares that are treated as financial assets held for trading pursuant to Article 89, paragraph 2-*bis* of Decree No. 917; or

(ii) if the dividends are paid out of profits deriving from companies or entities resident for tax purposes in states or territories having a preferential tax regime as identified pursuant to Article 47-*bis* of Decree No. 917 that do not meet the condition under paragraph 2, letter a of such article (for these purposes, profits are considered as "deriving from" companies resident in states or territories with a preferential tax regime if the profits relate either to the direct holding of shares in these companies or to participations that grant control, whether direct or indirect (and including *de facto* control), over companies resident outside of Italy that in turn receive dividends from companies resident in states or territories having a preferential tax regime). Tax regimes available in other EU member states (or states that are party to the Agreement on the European Economic Area and that exchange information with Italy) can never be preferential tax regimes for these purposes; or

(iii) if dividends are paid in relation to the Offer Shares acquired through repurchase transactions, stock lending and similar transactions, unless the beneficial owner of such dividends would have benefited from the 95% exemption described above.

Subject to certain conditions, foreign taxes for Italian shareholders are allowed as a credit against IRES in proportion to the amount of dividends included in the IRES taxable base.

For certain companies operating in the financial sector and subject to certain conditions, dividends paid by the Company in connection with the Offer Shares will also be included in the taxable base for the regional tax on productive activities ("**IRAP**").

Pension funds

Dividends paid to Italian resident pension funds (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 2005) are not subject to withholding taxation but must be included in the result of the relevant portfolio accrued at the end of each tax period, which is subject to a 20% annual substitute tax (the "**Pension Fund Tax**").

Investment funds, SICAV and SICAF

Dividends paid to Italian resident (i) open-ended or closed-ended investment funds ("**Funds**"); (ii) investment companies with variable capital (*società di investimento a capitale variabile* ("**SICAV**")); (iii) investment companies with fixed capital ("**SICAF**"), are subject to neither withholding taxation nor taxation at the level of the Funds, the SICAVs and the SICAFs. A withholding tax may apply in certain circumstances at the rate of 26% on distributions made by the Funds, the SICAVs and the SICAFs.

Non-Italian resident persons

Under Italian tax laws, the distribution of dividends by the Company in connection with the Offer Shares will not trigger any taxable event for Italian income tax purposes for non-Italian resident shareholders.

23.3 Taxation of capital gains

The tax regime summarized under this paragraph 23.3 is relevant solely to the extent that the Offer Shares were to qualify as "*shares or securities similar to shares*" for Italian tax purposes, which is a matter characterized by a high degree of subjective judgment, as mentioned in the previous paragraph 23.1.

Italian resident shareholders

Individuals not engaged in a business activity

Where an Italian resident shareholder is an individual not engaged in a business activity any capital gain realized by such shareholder from the sale or the disposal of the Offer Shares will be subject to a 26% substitute tax, whether they are realized upon Transfer of Qualified Shareholding or Transfer of Non-Qualified Shareholding. The Italian shareholder may opt for any of the following tax regimes:

(a) under the tax declaration regime (*regime della dichiarazione*), which is the default regime for shareholders who are Italian resident individuals not engaged in a business activity, the 26% substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realized by the shareholder pursuant to the sale or the disposal of the Offer Shares carried out during any given tax year. The relevant shareholder must indicate the overall capital gain realized in any tax year, net of any relevant incurred capital loss, in the annual income tax return and pay the 26% substitute tax on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years;

(b) as an alternative to the declaration regime described under point (a) above, shareholders who are Italian resident individuals not engaged in a business activity may elect to pay the 26% substitute tax separately on capital gains realized on each transfer of the Offer Shares (*regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to (i) the Company Offer Shares being managed or in custody with Italian banks, broker-dealers (*società di intermediazione mobiliare*, "**SIM**") or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant shareholder. Under this regime, the financial intermediary is responsible for accounting for the 26% substitute tax in respect of capital gains realized on each transfer of the Offer Shares (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the shareholder or using funds provided by the shareholders for this purpose. Under the *risparmio amministrato* regime, where a transfer of the Offer Shares results in a capital loss, such loss may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the shareholder is not required to declare the capital gains in the annual income tax return;

(c) any capital gain realized by shareholders who are Italian resident individuals and that have entrusted the management of their financial assets, including the Offer Shares, to an authorised intermediary and have opted for the Asset Management Regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 26% substitute tax, to be paid by the managing authorised intermediary. Under the Asset Management Regime, any decrease in value of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Regime, the shareholder is not required to declare the capital gains realized in the annual income tax return.

Individuals engaged in a business activity, partnership and similar entities

Capital gains realized by partnership and similar entities or Italian resident individuals engaged in a business activity on the transfer of the Offer Shares are included in the recipient's overall taxable income for the entire amount in the tax year in which they are realized, subject to income tax at ordinary rates. However, if the requirements indicated in the following paragraphs for the partial exemption provided for capital gains realized by Italian resident companies and other commercial entities are satisfied, these capital gains would be exempt from taxation for an amount equal to (i) 41.86% of the capital gains realized by Italian resident individuals, and (ii) 50.28% of the capital gains realized by Italian resident partnership and other similar entities. In this event, the relating capital losses would be deductible for a corresponding amount.

Companies and other commercial entities

Italian resident shareholders who are companies or other commercial entities subject to IRES pursuant to Decree No. 917 benefit from a 95% participation exemption of the capital gains realized upon the transfer of the Offer Shares if the following requirements are met:

(i) the Offer Shares are held continuously from the first day of the twelfth month preceding the transfer;

(ii) the Offer Shares are accounted for as long-term investment (noncurrent financial assets) in the first financial statement closed after the acquisition of the shares (for companies adopting international accounting standards (IAS/IFRS), shares qualify as long-term investment if they are not financial activities "held for trading");

(iii) the Company is resident in a State or territory other than a State or territory with a preferential tax regime in accordance with the criteria set out in Article 47-bis, paragraph 1 of Decree No. 917 or, alternatively, proof having been given through a tax ruling according to the terms set forth in article 47-bis, paragraph 3 of Decree No. 917 that from the start of the period of ownership, the effect was not of locating the income in countries or territories other than those identified before. This requirement must be met at the time when the capital gain is realized, without interruption, since the beginning of the holding of the Offer Shares or, if the Offer Shares are held since more than five years and the transfer is made in favour of entities not belonging to the same group of the seller, from at least the beginning of the fifth tax period preceding the one in which the gain is realized;

(iv) the Company carries on a commercial business activity pursuant to Article 55 of Decree No. 917.

(the "**PEX Requirements**")

The requirements under point (iv) above should be met with respect of the Company since the Offer Shares will be listed on regulated markets.

The remining 5% of the amount of the capital gain is included in the aggregate taxable income of the Italian resident companies and other commercial entities and subject to IRES.

If the PEX Requirements are met, capital losses from the disposal of the Offer Shares realized by the Italian shareholders are not deductible from their taxable income. Capital gains and capital losses realized through the disposal of the Offer Shares that do not meet at least one of the requirements are (i) fully included in the aggregated taxable income and (ii) fully deductible from the same aggregated taxable income, subject to IRES according to the ordinary rules and rates. However, if such capital gains are realized upon disposal of the Offer Shares which have been accounted as a long-term investment on the last three balance sheets, the capital gains can be taxed in equal parts in the year of realisation and in the following tax years (up to the fourth) if the relevant shareholder expressively opts for such treatment.

Capital losses (as well as negative differences between revenues and costs) relating to the Offer Shares that do not meet the PEX Requirements are not relevant and cannot be deducted to the extent of the non-taxable amount of dividends received by the Italian shareholder in the 36 months prior the transfer (the so-called dividend washing rule). This anti-avoidance rule applies to shares acquired in the 36-months period preceding the realisation of the capital loss (or the negative difference), provided that the requirements under points (iii) and (iv) above are met. The anti-avoidance does not apply to shareholders adopting international accounting standards (IAS/IFRS).

For certain companies operating in the financial sector and subject to certain conditions, capital gains realized upon sale or disposal of the Offer Shares will also be included in the taxable base for IRAP.

Pension funds

Any capital gain realized by a shareholder that is an Italian resident pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to Pension Fund Tax.

Investment funds, SICAV and SICAF

Any capital gain realized by Italian resident (i) Funds; (ii) SICAVs; (iii) SICAFs are subject to neither 26% substitute nor taxation at the level of the Funds, the SICAVs and the SICAFs. A withholding tax may apply in certain circumstances at the rate of 26% on distributions made by the Funds, the SICAVs and the SICAFs.

Non-Italian resident persons

Under Italian tax laws, capital gains on the Offer Shares will not trigger any taxable event for Italian income tax purposes for non-Italian resident shareholders.

23.4 Atypical securities

Taxation of distributions

Should the Offer Shares be qualified as atypical securities (*titoli atipici*) (and not as "*shares or securities similar to shares*"), any proceeds (including the difference between the redemption amounts and the issue price) on Offer Shares paid to Italian resident (i) individuals not engaged in a business activity, (ii) real estate investment funds, (iii) pension funds, (iv) Funds, SICAV and SICAF and (v) entities not subject to IRES, shall be subject to final withholding tax at a rate of 26%, if the Offer Shares are sold (*collocati*) in Italy and any entrusted Italian resident bank or financial intermediary intervenes in the collection of payments on the Offer Shares, in the repurchase or in the transfer of the Offer Shares. The 26% withholding tax shall be levied by such Italian bank or financial intermediary.

If the atypical securities are issued on continuing basis or do not have a predetermined maturity, the relevant bank or financial intermediary acting as withholding agent must levy and pay over to the Italian tax authorities a portion—determined on the basis of the accured remuneration—of the future withholding taxes even if no payment over the Offer Shares has yet been made.

If the Offer Shares are not sold (*collocati*) in Italy and payment of proceeds on the Offer Shares are not received through an entrusted Italian resident bank or financial intermediary that intervenes in the collection of payments on the Offer Shares, in the repurchase or in the transfer of the Offer Shares, and as such no withholding tax is required to be levied, the persons indicated in (i) to (v) above will be required to report the payments in their annual income tax return, which will be subject to a final substitute tax at rate of 26%. The person who is an individual beneficial owner may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments: if so, the beneficial owners should generally benefit from a tax credit for any withholding taxes applied outside Italy.

In the case of Italian resident beneficial owners who are corporate entities, payments received on the Offer Shares will not subject to any withholding tax and will form part of their aggregate taxable business income (and, in certain cases, depending on the status of the holders, may also be included in the taxable net value of production subject to IRAP) subject to tax in Italy according to ordinary tax provisions. A tax credit for any withholding taxes applied outside Italy should be generally available.

Under current Italian tax law and practice, payments on the Offer Shares to beneficial owners who are not resident in Italy for tax purposes, without a permanent establishment in Italy to which the Offer Shares are effectively connected, should not be subject to any Italian withholding or substitute tax.

Taxation of capital gains

Where an Italian resident shareholder is an individual not engaged in a business activity any capital gain realized by such shareholder from the sale or the disposal of the Offer Shares will be subject to a 26% substitute tax, The Italian shareholder may opt for the application of a 26% substitute tax under the "*regime della dichiarazione*", or the Asset Management Regime (*regime del risparmio amministrato*) as above described.

Capital gains realized by partnership and similar entities or Italian resident individuals engaged in a business activity on the transfer of the Offer Shares are included in the recipient's overall taxable income for the entire amount in the tax year in which they are realized, subject to income tax at ordinary rates.

Capital gains on the Offer Shares realized by Italian tax resident companies or similar commercial corporate entities will be included in their IRES taxable base according to applicable accounting rules and tax law provisions.

For certain companies operating in the financial sector and subject to conditions, capital gains on the Offer Shares will also be included in the IRAP taxable base according to applicable accounting rules and tax law provisions.

Any capital gain realized by an Italian resident pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to Pension Fund Tax.

Any capital gain realized by Italian resident (i) Funds; (ii) SICAVs; (iii) SICAFs are subject to neither 26% substitute nor taxation at the level of the Funds, the SICAVs and the SICAFs. A withholding tax may apply in certain circumstances at the rate of 26% on distributions made by the Funds, the SICAVs and the SICAFs.

23.5 Transfer tax

Contracts or other legal instruments relating to the transfer of securities (including the Offer Shares) are subject to registration tax as follows: (a) public deeds and notarised deeds are subject to a fixed registration tax of Euro 200; (b) private deeds are subject to registration tax only if they are voluntarily filed for registration with the Italian tax authorities or in case of use (*caso d'uso*) or upon occurrence of an "explicit reference" (*enunciazione*) or voluntary registration.

23.6 Inheritance and gift taxes

Italian inheritance and gift taxes are generally levied on transfers of any valuable assets (including the Offer Shares) (i) by reason of death or gift by Italian resident persons (or other transfers for no consideration and the creation of liens on such assets for a specific purpose), even if the transferred assets are held outside Italy, and (ii) by reason of death or gift by non-Italian resident persons, but limited to transferred assets held in Italy.

The transfers of any valuable asset (including the Offer Shares) as a result of death or donation (or other transfers for no consideration) are taxed as follows:

(i) transfers in favour of the spouse and of direct descendants or ascendants are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding Euro 1,000,000 (per beneficiary);

(ii) transfers in favour of the brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding Euro 100,000 (per beneficiary);

(iii) transfers in favour of all other relatives up to the fourth degree or relatives-in-law up to the third degree, are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift; and

(iv) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate, mentioned above in points (i), (ii), (iii) and (iv) on the value exceeding, for each beneficiary, Euro 1,500,000.

23.7 Stamp duties

Pursuant to Article 13, paragraph 2-*ter* of the tariff Part I attached to Presidential Decree No. 642 of October 26, 1972, as subsequently amended, *inter alia*, by Article 19, paragraph 1 of Decree No. 201 of December 6, 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by an Italian based financial intermediary to its clients in respect of any financial product and instrument (including the Offer Shares) which may be deposited with such financial intermediary in Italy. The stamp duty is collected by resident banks and other financial intermediaries applies at a rate of 0.2% and cannot exceed Euro 14,000 for taxpayers other than individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets held.

The statement is deemed to be sent at least once a year, including with respect to the instruments for which it is not mandatory the deposit, the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable on a pro-rata basis.

Pursuant to the law and the implementing decree issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on June 20, 2012) of an entity that exercises a banking, financial or insurance activity in any form within the Italian territory.

23.8 Wealth tax on financial products held abroad

In accordance with Article 19 of Decree No. 201, converted with amendments by Law No. 214 of December 22, 2011, as amended, Italian resident individuals, non-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy for tax purposes holding financial products—including the Offer Shares—outside of the Italian territory are required to declare in its own annual income tax return and pay a wealth tax at the rate of 0.2% ("**IVAFE**"). For taxpayers other than individuals, IVAFE cannot exceed Euro 14,000 per year.

The tax applies on the market value at the end of the relevant year or—in the lack of the market value—on the nominal value or redemption value of such financial products held outside of the Italian territory. Taxpayers can generally deduct from the tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due). Shares (including the Offer Shares) held abroad are excluded from the scope of the wealth tax if they are managed by Italian resident intermediaries. In this case, the stamp duty described in the previous paragraphs (*Stamp duties*) does not apply.

23.9 Tax monitoring

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their annual income tax return, according to Law Decree No. 167 of June 28, 1990 converted into law by Law Decree No. 227 of August 4, 1990, as amended from time to time, for tax monitoring purposes, the amount of Offer Shares held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the beneficial owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Offer Shares deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their intervention, upon condition that the items of income derived from the Offer Shares have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a EUR 5,000 threshold throughout the year.

24 TAXATION IN THE KINGDOM OF SPAIN

The following section presents a general description of the Spanish tax regime applicable to the Company and the acquisition, holding or transfer of shares by a shareholder. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for investors. In particular, this summary does not provide a comprehensive overview of tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Spain. In addition, the hereinafter description does not consider the regulations adopted by the different Spanish Autonomous Regions (Comunidades Autónomas) that may apply to shareholders of the Company regarding particular taxes or the regional tax regimes in force applicable in the Historical Territories of the Basque Country and the Historical Autonomous Region of Navarre.

The information is based on the tax laws in force in Spain as of the date of this Prospectus (and their interpretation by administrative directives and courts), as well as typical provisions of double taxation treaties that Spain has concluded with other countries. Tax law can change, sometimes retrospectively. Moreover, it cannot be ruled out that the Spanish tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual potential investors. Potential investors are therefore advised to consult their tax advisors regarding the specific Spanish, state, regional and local tax implications of the acquisition, holding or transfer of shares in light of their particular circumstances as well as any consequences arising under the laws of any other taxing jurisdiction. Only such advisors are in a position to take the specific tax-relevant circumstances of individual investors into due account.

24.1 Taxation of the Company

The Company is not a Spanish tax resident entity for Spanish Corporate Income Tax ("**CIT**") purposes. The Company is incorporated in Germany and it has been registered with the commercial register of the local court of Stuttgart. A non-Spanish incorporated Company is tax resident in Spain if the place of effective management of such Company is located in Spain, which is not expected to be the case.

Accordingly, and provided that the Company does not carry on a business in Spain through a permanent establishment (including a branch or agency), the Company will not be subject to direct or indirect Spanish taxes, except in connection with the business activities that the Company might carry out in Spain and any Spanish-source income that the Company might obtain.

Moreover, to the extent that the Company does not act as: (i) an entity authorised in Spain to market the Shares; (ii) an entity engaged with placement or distribution of the Shares among potential shareholders in Spain (being also the entity paying the relevant proceeds to the shareholders of the Company in case of redemption) or (iii) the depositary entity of the Shares engaged in the collection of any income derived from such Shares, the Company should neither be subject to Spanish withholding tax obligations.

24.2 Taxation of Shareholders. Indirect taxation on the acquisition, ownership and disposition of the Shares

The acquisition, ownership and, as the case may be, subsequent disposition of the Shares will be exempt from indirect taxes in Spain, *i.e.*, exempt from Transfer Tax and Stamp Duty, in accordance with the consolidated text of such tax promulgated by Royal Decree 1/1993 of September 24, and exempt from Value Added Tax, in accordance with Law 37/1992 of December 28, regulating such tax.

24.3 Taxation of Shareholders. Direct taxation on the ownership and subsequent disposition of the Shares by Shareholders Resident in Spanish Territories

This section describes the tax treatment applicable to shareholders of the Company deemed as resident in the Spanish territory for tax purposes. In general and without prejudice to the provisions set forth in Double Taxation Treaties entered into by Spain, shareholders of the Company considered to be resident in Spain for these purposes include entities resident in Spain pursuant to article 8 of Law 27/2014 of November 27 on Corporate Income Tax (the "**CIT Law**") and individuals resident in Spain, according to any of the circumstances defined in article 9.1. of Law 35/2006 of November 28 on the Personal Income Tax and on the partial amendment of the Corporate Income Tax, Non-Resident Income Tax and Wealth Tax Law (the "**PIT Law**"), together with those resident abroad who are members of Spanish diplomatic missions, Spanish Councils and other official bodies, as set down in article 10.1. thereof. Pursuant to article 8.2. of the PIT Law, shareholders of the Company considered resident in Spain for tax purposes also include individuals with

Spanish nationality who cease to be tax resident in Spain pursuant to the criteria above and start holding their new tax residency in a country or jurisdiction deemed as tax haven or non-cooperative jurisdiction for Spanish tax purposes, during the tax period in which the change of residence takes places and the following four periods.

Individuals who acquired tax residency in Spain, as a result of moving to Spanish territory, will be subject to Personal Income Tax ("**PIT**"). However, those individuals will be entitled to apply for a special PIT regime based on the Non-Resident Income Tax ("**NRIT**") during the period in which the change of residency takes place, and the five subsequent years, provided that they meet the requirements set forth in article 93 of the PIT Law (the "**NRIT-like Residents**").

24.3.1 Spanish Resident Individuals

24.3.1.1 *Personal Income Tax*

Capital Income

In general terms, Spanish individuals with tax residency in Spain are subject to PIT on a worldwide basis. Prospective investors should consult their own tax advisers as to the tax consequences set forth under the Spanish regulations in relation to the NRIT-like Residents.

Accordingly, income obtained from the Shares will be taxed in Spain when obtained by persons that are considered resident in Spain for tax purposes.

Pursuant to article 25 of the PIT Law, capital income shall be considered to include dividends, considerations paid for attending at general meeting of shareholders, income from the creation or assignment of rights of use and enjoyment of the Shares and, in general, the participation in the Company's profits, and any other income received by a Spanish tax resident individual from the entity in his or her position as shareholder of the Company.

Administration and custody expenses shall be deducted from capital income obtained by the Spanish tax resident individual shareholder as a result of ownership of the Shares. However, discretionary or individualized portfolio management expenses shall not be offset against capital income. The amount net of administration and custody expenses shall be included in the savings taxable base of the year in which it is due. As from 2022, the saving taxable base will be taxed at the fixed rate of 19% (for the first EUR 6,000 of capital income obtained by the individual), 21% (for income of between EUR 6,000.01 and EUR 50,000), 23% (for income of between EUR 50,000.01 and EUR 200,000) or 26% (for income in excess of EUR 200,000).

Capital Gains and Losses as a result of the transfer of Shares

Gains and losses generated by a Spanish tax resident individual as a result of the transfer of Shares qualify for the purpose of the PIT Law as capital gains or losses and are subject to taxation according to the general rules applicable to capital gains. The amount of capital gains or losses shall be calculated as the negative or positive difference between the acquisition value of the securities and their transfer value.

Where the PIT taxpayer owns other securities of the same kind, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first ("*First in First out"- FIFO principle*).

Both the acquisition and the transfer value are increased or reduced, respectively, by the costs and taxes inherent to such transactions borne by the acquirer or transferor, respectively.

Capital gains or losses derived from the transfer of the Shares shall be included and offset in the savings taxable base of the tax period in which the transfer tales place, being taxed in the 2022 tax year at the fixed rate of 19% (for the first EUR 6,000 of capital income obtained by the individual), 21% (for income of between EUR 6,000.01 and EUR 50,000), 23% (for income of between EUR 50,000.01 and EUR 200,000) or 26% (for income in excess of EUR 200,000).

Finally, certain losses derived from the transfer of the Shares will not be treated as capital losses when identical securities are acquired during the two months prior or subsequent to the transfer date which originated that loses. In such cases, capital losses shall be included in the taxable base upon the transfer of the remaining shares of the taxpayer.

Capital gains derived from transfer of the Shares may be subject to withholding tax on account of PIT. Otherwise, the Shareholder may be obliged to make a payment on account (*pago a cuenta*) of PIT.

Shareholders of the Company are advised to consult their tax advisors or lawyers to determine the compliance of the requirements to apply this exemption.

24.3.1.2 *Wealth Tax*

Spanish tax resident individuals shall be subject to Wealth Tax on their total net wealth at December 31, irrespective of where their assets might be located or rights might be excised.

This taxation shall be imposed pursuant to Law 19/1991 of June 6 on Wealth Tax (the "**Wealth Tax Law**") which, for these purposes, sets a minimum tax-free allowance of EUR 700,000, in accordance with a tax scale with marginal rates, as from 2022, ranging between 0.2% and 3.5%, without prejudice to specific rules that may have been approved by the Spanish Autonomous Regions (*Comunidades Autónomas)*. Therefore, Spanish tax resident individuals holding Shares should consult with their tax advisors when it comes to their specific situation.

Spanish tax resident individuals who acquire the Shares and who are required to file Wealth Tax returns must declare the Shares they hold at December 31 of each year.

24.3.1.3 *Inheritance and Gift Tax*

The transfer of shares by inheritance or gift in favor of individuals who are resident in Spain is subject to Inheritance and Gift Tax ("**IGT**") in accordance with Law 29/1987 of December 18, without prejudice to the specific legislation applicable in each Spanish Autonomous Region. The acquirer of the securities is liable for this tax as taxpayer. According to IGT Law 29/1987 of December 18, the applicable general tax rates range between 7.65% and 34%. However, after applying all relevant factors (such as the specific regulations imposed by each Spanish Autonomous Region, the amount of the pre-existing assets of the taxpayer and the degree of kinship with the deceased or donor), the final effective tax rate may range from 0% (full exemption) to 81.6%.

24.3.1.4 *Spanish Exit Tax*

Individual Spanish shareholders that lose their tax resident status in Spain as a result of a change of residence will be subject to PIT in Spain on the capital gains corresponding to the appreciation in value of the Shares, to the extent that the relevant requirements, circumstances and thresholds established in the PIT Law are met. Shareholders of the Company are advised to consult their tax advisors or lawyers as regards to their specific situation.

24.3.2 Spanish Resident Entities

24.3.2.1 *Corporate Income Tax*

<u>Dividends</u>

CIT taxpayers and NRIT taxpayers who act in Spain for these purposes through permanent establishments shall include the gross amount of dividends or interest in profits received as a result of ownership of the Shares, and the costs inherent to this interest, in their taxable base, in accordance with article 10 and onwards of the CIT Law. The general tax rate applicable to this income is 25% (please note that financial institutions are taxed at an increased 30% rate).

However, dividends and interests in profits of a company could be entitled to an 95% exemption from CIT, pursuant to article 21 of the CIT Law, if certain requirements are met: (i) the percentage of the direct or indirect participation in the capital or equity of the entity is at least 5%; (ii) the participation must be held uninterruptedly during the year prior to the day on which the dividend is distributed, or otherwise be held for the time needed to complete this period (and provided that other requirements that need to be analyzed on a case by case basis are fulfilled); and (iii) the Company has been subject and not exempt to a similar tax to CIT at a nominal rate of at least 10%.

Should the Company obtain dividends or interest in profits of a company or income arising from the disposition of securities representing the capital or equity of entities comprising more than 70% of its income, the application of this exemption is conditional on the compliance of complex requirements which, in essence, require the CIT-payer holder of the shares to have an indirect holding of at least 5% of the share capital of those entities, unless these subsidiaries meet the conditions referred to in Article 42 of the of the Spanish Commercial Code of August 22, 1885, as amended (the "**Spanish Commercial Code**"), to form part of the same group of companies of the direct subsidiary, and they prepare consolidated financial statements.

Shareholders of the Company are advised to consult their tax advisors or lawyers to determine the compliance of the requirements to apply this exemption.

Income derived from transfer of the Shares

Any gain or loss derived from the transfer of the Shares, whether for valuable consideration or not, shall be included in the taxable base of CIT (or of NRIT for those taxpayers acting, for these purposes, through a permanent establishment in Spain) in accordance with article 10 and onwards of the CIT Law. The general tax rate applicable to this income is 25% (please note that financial institutions are taxed at an increased 30% rate).

However, the deductibility of any losses that may be originated by the transfer of the Shares may be subject to restrictions (for instance, if the capital gains potentially obtained on such transfer would have been entitled to benefit from the CIT exemption, pursuant to article 21 of the CIT Law, indicated below), pursuant to Royal Decree-Law 3/2016 of December 2. Shareholders of the Company are advised to consult their tax advisors or lawyers about the application of such restrictions in their particular case.

As a general rule, capital gains derived from the transfer of an interest in an entity may be entitled to a 95% CIT exemption, pursuant to article 21 of the CIT Law, provided that: (i) the direct and indirect participation in the capital or equity of the entity is, at least, 5%; (ii) such participation is held uninterruptedly for the year prior to the day on which the transfer takes place; and (iii) the Company has been subject and not exempt to a similar tax to CIT at a nominal rate of at least 10%.

Should the Company obtain dividends, interest in profits of a company or income arising from the disposition of securities representing the capital or equity of entities comprising more than 70% of its income, the application of this exemption is conditional on the compliance of complex requirements which, in essence, require the holder of the shares to have an indirect holding of at least 5% of the share capital of those entities, unless these subsidiaries meet the conditions referred to in Article 42 of the Spanish Commercial Code to form part of the same group of companies of the direct subsidiary, and they prepare consolidated financial statements.

The applicability of this exemption could be total or partially limited if certain circumstances concur. In particular (among others), this exemption regime would not be applicable to gains obtained on the direct or indirect transfer of a portfolio entity (*entidad patrimonial*), as opposed to an entity engaged in an active business activity. An entity is regarded as portfolio entity where more than half of its assets consist of (i) securities (including debt and equity securities), and/or (ii) assets which are not affected to the performance of an economic activity carried out through appropriate material and human resources. Where the entity being tested is the parent company of a corporate group (as defined in article 42 of the Spanish Code of Commerce) the computations to determine whether such entity is a portfolio entity should be made on a consolidated basis. This is, based on a consolidated balance sheet that includes the tested entity and all its controlled subsidiaries.

Capital gains derived from transfer of the Shares may be subject to withholding tax on account of CIT. Otherwise, the shareholder of the Company may be obliged to make a payment on account (*pago a cuenta*) of CIT.

Shareholders of the Company are advised to consult their tax advisors or lawyers to determine the compliance of the requirements to apply this exemption.

24.3.2.2 *Wealth Tax*

CIT taxpayers are not subject to Wealth Tax.

24.3.2.3 *Inheritance and Gift Tax*

CIT taxpayers are not subject to IGT, and income obtained through a gift is taxed pursuant to CIT rules.

24.4 Taxation of Shareholders. Direct taxation on the ownership and subsequent disposition of the Shares by Shareholders Non-Resident in Spanish Territories

This section analyzes the tax treatment applicable to shareholders who are non-resident in Spanish territory and act through a permanent establishment in Spain.

If the Shares form part of the assets allocated to a permanent establishment in Spain of a person or legal entity who is non-resident in Spain for tax purposes, the NRIT rules applicable to income deriving from such Shares are similar as those for Spanish CIT taxpayers (set out above).

Ownership of the Shares by shareholders of the Company who are non-resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain, and thus non-resident shareholders of the Company not acting through a permanent establishment in Spain will not be taxed in Spain.

25 TAXATION IN SWITZERLAND

The following is a general summary of certain tax consequences of the acquisition, ownership and disposition of Offer Shares based on Swiss tax laws and regulations in force on the date of this Prospectus. Tax consequences are subject to changes in applicable law, including changes that could have a retroactive effect. The buy-back of its own Shares by the Company is subject to German law. This is not a complete analysis of the potential tax effects relevant to a decision to invest in Offer Shares nor does the following summary take into account or discuss the tax laws of any jurisdiction other than Switzerland. It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular holder of Offer Shares.

Investors are urged to consult their own tax advisors as to tax consequences of the acquisition, ownership and disposition of Offer Shares. Tax consequences may differ according to the provisions of different tax treaties (see below) and the investor's particular circumstances.

25.1 Taxation of Dividends

25.1.1 Withholding Tax

As the Offer Shares are not issued by a Swiss entity, no Swiss withholding tax applies to dividends of the Company paid to shareholders with a Swiss tax domicile.

For more information on German Withholding Tax on the dividends of the Company, see *"20.2.2.1 Withholding Tax"*. For dividends made to shareholders with a Swiss tax domicile, the Double Taxation Treaty between Germany and Switzerland dated August 11, 1971 applies. Under said treaty, Germany applies a reduced withholding tax rate of 15% on dividends. Under the conditions provided in *"20.2.2.1 Withholding Tax"*, shareholders may apply for a partial refund of the German Withholding Tax using the Forms R-D1 and R-D2 of the German Ministry of Finance.

25.1.2 Swiss Federal Stamp Taxes

As the Offer Shares are pre-existing and the Company is a German resident entity, the Swiss Issue Stamp Tax (*Emissionsabgabe*) of 1% does not apply.

The purchase or sale of Offer Shares, whether by

- Swiss resident individuals who hold their Shares as private assets ("**Resident Private Shareholders**"),
- (i) corporate and individual shareholders who are resident in Switzerland for tax purposes, (ii) corporate and individual shareholders who are not resident in Switzerland, and who, in each case, hold their Shares as part of a trade or business carried on in Switzerland through a permanent establishment with fixed place of business situated in Switzerland for tax purposes and (iii) Swiss resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealing, or leveraged investments, in shares and other securities (collectively, "**Domestic Commercial Shareholders**"); or
- Shareholders who are not resident in Switzerland for tax purposes, and who, during the respective taxation year, have not engaged in a trade or business carried on through a permanent establishment with fixed place of business situated in Switzerland for tax purposes, and who are not subject to corporate or individual income taxation in Switzerland for any other reason (collectively, "**Non-Resident Shareholders**"),

may be subject to a Swiss Federal Securities Transfer Stamp Tax (*Umsatzabgabe*) at a current rate of 0.3% calculated on the purchase price or the sale proceeds, respectively, if (i) such transfer occurs through or with a Swiss or Liechtenstein bank or by or with involvement of another Swiss securities dealer as defined in the Swiss federal stamp tax act and (ii) no exemption applies.

25.1.3 Taxation of Dividends of Shareholders with a Tax Residency in Switzerland

(I) *Shares Held as Non-Business Assets*

Resident Private Shareholders who receive dividends and similar cash or in-kind distributions (including liquidation proceeds), which are not repayments of the nominal value of the Offer Shares or capital contribution reserves, are required to report such receipts in their individual income tax returns and are subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.

The participation exemption is only applicable on dividends on shares held as non-business assets if the shareholder holds at least 10% of the Company's equity shares. As the Offering only encompasses non-equity shares, the participation exemption is not applicable for shares held as non-business assets.

(II) *Shares Held as Business Assets*

Domestic Commercial Shareholders who receive dividends and similar cash or in-kind distributions (including liquidation proceeds as well as bonus shares) are required to recognize such payments in their income statements for the relevant tax period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings accumulated (including the dividends) for such period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

Domestic Commercial Shareholders who are corporate taxpayers may qualify for participation relief on dividend distributions (*Beteiligungsabzug*), if the Shares held have a market value of at least CHF 1 million or if they hold at least 10% of the Company's equity shares or are entitled to at least 10% of the Company's profits and reserves.

If the Domestic Commercial Shareholder meets the conditions described above, they are entitled to a participation exemption on the dividends paid out by the Company. Under the participation exemption rule, the Domestic Commercial Shareholder's taxable profits are reduced by the qualifying dividend income in relation to the entire net profit. The qualifying dividend income is defined as income from dividends stemming from qualified participations as described above deduced by management and financing costs (*i.e.*, net dividends).

25.2 Taxation of Capital Gains of Shareholders with a Tax Residency in Switzerland

(I) *Shares Held as Non-Business Assets*

A capital gain realized by a holder on the sale of Shares held as private investments classifies as tax-exempt private capital gainor, a non-tax deductible private capital loss for purposes of federal, cantonal and communal income taxes. See below "—Shares held as assets of a Swiss business" for a summary of the taxation treatment of Swiss resident individuals who, for income tax purposes, are classified as "professional securities dealers'.

(II) *Shares Held as Business Assets*

Domestic Commercial Shareholders are required to recognize a gain or loss realized upon the disposal of Offer Shares in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings (including the gain or loss realized on the sale or other disposition of Offer Shares) for such taxation period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

25.3 Swiss Wealth Tax and Capital Tax

Resident Private Shareholders are required to report their Offer Shares as part of their private wealth and are subject to cantonal and communal wealth tax on any net taxable wealth (including Offer Shares).

Domestic Commercial Shareholders are required to report their Offer Shares as part of their business wealth or taxable capital, as defined, and are subject to cantonal and communal wealth or annual capital tax.

No wealth or capital tax is levied at the federal level.

26 FINANCIAL INFORMATION

The following English-language condensed consolidated interim financial statements (F-3–F28), consolidated financial statements (F-29–F-155, F-160–F-285 and F-291–F-411) and unconsolidated financial statements (F-416–F-426) are translations of the respective German-language unaudited condensed consolidated interim financial statements, the respective German-language audited consolidated financial statements and the respective German-language audited unconsolidated financial statements.

Unaudited Condensed Consolidated Interim Financial Statements of the Company as of and for the six months ended June 30, 2022, prepared in accordance with IFRS on Interim Financial Reporting (IAS 34)

Consolidated Income Statement of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to June 30

	PORSCHE AG GROUP	
€ million	2022	2021
Sales revenue	**17,922**	**16,525**
Cost of sales	–12,869	–12,036
Gross profit	**5,053**	**4,489**
Distribution expenses	–956	–957
Administrative expenses	–766	–722
Other operating income/expense	149	–18
Operating profit	**3,480**	**2,792**
Share of profit or loss of equity-accounted investments	12	–9
Interest result and other financial result[1]	196	181
Financial result	**208**	**172**
Profit before tax	**3,688**	**2,964**
Income tax expense	–1,183	–846
Profit after tax	**2,505**	**2,118**
thereof profit attributable to shareholders	2,500	2,113
thereof profit attributable to non-controlling interests	5	5
Basic/diluted earnings per ordinary share in €[2]	**2.74**	**2.31**
Basic/diluted earnings per preferred share in €[2]	**2.75**	**2.32**

1 In the first half of 2022, "Interest result and other financial result" contains an impairment loss of €37 million on Bertrandt AG that has been accounted for using the equity method.
2 Earnings per share are explained in the note "Earnings per share".

Consolidated Statement of Comprehensive Income of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to June 30

€ million	2022	2021
Profit after tax	**2,505**	**2,118**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	2,062	766
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–617	–230
Pension plan remeasurements recognized in other comprehensive income, net of tax	1,445	536
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	12	58
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	–	–
Items that will not be reclassified to profit or loss	**1,457**	**594**
Foreign exchange differences		
Unrealized currency translation gains/losses	451	156
Transferred to profit or loss	–	–
Exchange differences on translating foreign operations, before tax	451	156
Deferred taxes relating to exchange differences on translating foreign operations	–	–
Exchange differences on translating foreign operations, net of tax	451	156
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	–1,237	–503
Transferred to profit or loss (OCI I)	364	–151
Cash flow hedges (OCI I), before tax	–873	–654
Deferred taxes relating to cash flow hedges (OCI I)	269	197
Cash flow hedges (OCI I), net of tax	–604	–457
Fair value changes recognized in other comprehensive income (OCI II)	–307	–190
Transferred to profit or loss (OCI II)	206	309
Cash flow hedges (OCI II), before tax	–101	119
Deferred taxes relating to cash flow hedges (OCI II)	30	–36
Cash flow hedges (OCI II), net of tax	–71	83
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	0	1
Items that may be reclassified subsequently to profit or loss	**–224**	**–217**
Other comprehensive income, before tax	1,551	445
Deferred taxes relating to other comprehensive income	–318	–68
Other comprehensive income, net of tax	**1,233**	**377**
Total comprehensive income	**3,738**	**2,495**
thereof profit attributable to shareholders	3,733	2,490
thereof profit attributable to non-controlling interests	5	5

Consolidated Statement of Financial Position of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of June 30, 2022 and as of December 31, 2021

	PORSCHE AG GROUP	
€ million	2022	2021
Assets		
Non-current assets	**26,744**	**32,830**
Intangible assets	6,813	6,190
Property, plant and equipment	8,659	8,763
Leased assets	4,048	3,954
Financial services receivables	3,895	3,461
Equity-accounted investments, other equity investments, other financial assets, other receivables and deferred tax assets	3,330	10,462
Current assets	**28,311**	**18,552**
Inventories	5,245	4,517
Financial services receivables	1,338	1,081
Other financial assets and other receivables	3,885	7,131
Tax receivables	91	155
Securities and time deposits[1]	2,034	982
Cash and cash equivalents[1]	3,838	4,686
Assets held for distribution	11,881	–
Total assets	**55,055**	**51,382**
Equity and liabilities		
Equity	**15,043**	**22,935**
Equity before non-controlling interests	15,036	22,927
Non-controlling interests	7	8
Non-current liabilities	**14,728**	**15,368**
Provisions for pensions and similar obligations	3,649	5,525
Financial liabilities	6,424	6,599
Other liabilities	4,655	3,244
Current liabilities	**25,284**	**13,079**
Financial liabilities	3,338	3,128
Trade payables	3,181	2,447
Other liabilities	6,885	7,505
Liabilities from distributions in kind	11,881	–
Total equity and liabilities	**55,055**	**51,382**

1 As of June 30, 2022, time deposits with an original contractual term of more than 3 months were allocated to "Securities and time deposits"; as of December 31, 2021 these were contained in "Cash and cash equivalents" (€359 million), which had been recorded under "Cash, cash equivalents and time deposits" in the prior year.

Consolidated Statement of Changes in Equity of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to June 30

				OTHER RESERVES
€ million	Subscribed capital	Capital reserve	Retained earnings	Currency translation
Balance at Jan. 1, 2021	**45**	**13,754**	**6,302**	**–173**
Profit after tax	–	–	2,113	–
Other comprehensive income, net of tax	–	–	537	155
Total comprehensive income	**–**	**–**	**2,650**	**155**
Disposal of equity instruments	–	–	58	–
Capital contribution	–	254	–	–
Profit transfer and dividends payment	–	–	–	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–1	1
Balance at June 30, 2021	**45**	**14,008**	**9,009**	**–17**
Balance at Jan. 1, 2022	**45**	**14,225**	**9,146**	**223**
Profit after tax	–	–	2,500	–
Other comprehensive income, net of tax	–	–	1,445	451
Total comprehensive income	**–**	**–**	**3,945**	**451**
Disposal of equity instruments	–	–	–	–
Capital contribution	–	257	–	–
Profit transfer and dividends payment	–	–	0	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes[1]	–	–11,679	–201	–
Balance at June 30, 2022	**45**	**2,803**	**12,889**	**674**

1 For “Other changes”, see the note “Significant events (section: IFRS 5 – Assets held for distribution)”.

HEDGING						
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Equity before non-controlling interests	Non-controlling interests	Total equity
757	**–465**	**0**	**–1**	**20,219**	**5**	**20,224**
–	–	–	–	2,113	5	2,118
–457	83	58	1	377	0	377
–457	**83**	**58**	**1**	**2,490**	**5**	**2,495**
–	–	–58	–	–	–	–
–	–	–	–	254	–	254
–	–	–	–	–	–4	–4
–	–	–	–	–	–	–
–1	–	–	–	–1	–	–1
299	**–382**	**0**	**0**	**22,962**	**6**	**22,968**
–361	**–340**	**–11**	**–0**	**22,927**	**8**	**22,935**
–	–	–	–	2,500	5	2,505
–604	–71	12	–0	1,233	0	1,234
–604	**–71**	**12**	**–0**	**3,733**	**5**	**3,738**
–	–	–	–	–	–	–
–	–	–	–	257	–	257
–	–	–	–	0	–6	–6
–	–	–	–	–	–	–
–	–	–	0	–11,881	–	–11,881
–965	**–410**	**1**	**–1**	**15,036**	**7**	**15,043**

Consolidated Statement of Cash Flows of Dr. Ing. h. c. F. Porsche Aktiengesellschaft for the period from January 1 to June 30

€ million	PORSCHE AG GROUP 2022	2021
Cash and cash equivalents at beginning of period	**4,327**	**4,344**
Profit before tax	3,688	2,964
Income taxes paid	–1,112	–1,053
Depreciation, amortization and impairment losses[1]	1,504	1,619
Gain/loss on disposal of non-current assets	–35	6
Share of profit or loss of equity-accounted investments	27	10
Other non-cash expense/income	–267	–81
Change in inventories	–582	–17
Change in receivables (excluding financial services)	–249	–176
Change in liabilities (excluding financial liabilities)	1,556	1,141
Change in pension provisions	183	233
Change in other provisions	–91	–30
Change in leased assets	–181	–586
Change in financial services receivables	–520	–376
Cash flows from operating activities	**3,922**	**3,653**
Investments in intangible assets (excluding capitalized development costs), and property, plant and equipment	–456	–556
Additions to capitalized development costs	–985	–784
Change in equity investments	–425	–111
Cash received from disposal of intangible assets and property, plant and equipment	3	3
Change in investments in securities, loans and time deposits	966	–2,252
Cash flows from investing activities	**–898**	**–3,701**
Capital contributions	257	254
Profit transfer and dividends	–1,864	–1,864
Proceeds from issuance of bonds	2,457	2,450
Repayment of bonds	–2,705	–1,699
Change in other financial liabilities	–138	–286
Repayments of lease liabilities	–56	–51
Cash flows from financing activities	**–2,049**	**–1,197**
Effect of exchange rate changes on cash and cash equivalents	38	18
Net change in cash and cash equivalents	**1,013**	**–1,227**
Cash and cash equivalents at end of period[2]	**5,340**	**3,117**

1 Offset against reversals of impairment losses.
2 Cash and cash equivalents comprise bank balances, checks, cash on hand, time deposits with an original contractual term of up to 3 months and funds due on demand.

The statement of cash flows is explained in the note on the statement of cash flows.

Notes to the Consolidated Financial Statements

IFRS (International Financial Reporting Standards) accounting

Pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG") has prepared its consolidated financial statements for fiscal year 2021 in accordance with the international accounting standards adopted by the European Union, the International Financial Reporting Standards (IFRSs). Accordingly, these interim consolidated financial statements as of June 30, 2022 have also been prepared in accordance with IAS 34 (Interim Financial Reporting) and have a reduced scope of reporting compared to the consolidated financial statements.

All amounts are rounded in line with common business practice; this can lead to minor differences in total amounts.

Accounting policies

The Porsche AG group has applied all accounting pronouncements adopted by the EU and effective for periods beginning from January 1, 2022.

IFRS 5 – ASSETS AND LIABILITIES HELD FOR DISTRIBUTION

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale or held for distribution if it is highly probable that they will be mainly recovered through a sale or distribution transaction rather than through continuing use.

These assets or the disposal group are generally recognized at the lower of the carrying amount and fair value less costs to sell. Any impairment loss of a disposal group is initially allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis – with the exception that no loss is allocated to inventories, financial assets, deferred tax assets, assets in connection with employee benefits, investment property or biological assets, which remain accounted for in accordance with the group's other accounting policies.

For distributions in kind to the owners of a company acting in their capacity as owners, for which the asset is ultimately controlled by the same party or parties before and after the distribution, it is deemed permissible to measure the obligation regarding the distribution in kind at the carrying amount or fair value of the asset to be distributed. The Porsche AG group has decided to recognize liabilities from distributions in kind at the carrying amount.

Impairment losses upon initial classification as held for sale or held for distribution and subsequent gains and losses upon remeasurement are recognized in profit or loss. Intangible assets and property, plant and equipment are no longer amortized or depreciated, and each investee accounted for using the equity method is no longer accounted for using the equity method as soon as they are classified as held for sale or held for distribution.

OTHER ACCOUNTING POLICIES

For these interim consolidated financial statements, a discount rate of 3.3% (December 31, 2021: 1.4%) was used for pension provisions in Germany. Due to the sustained increase in inflation expectations, future pension increases in Germany were adjusted to 2.0% as of June 30, 2022 (December 31, 2021: 1.7%). These changes largely caused the actuarial gain of €2,062 million recognized in the statement of comprehensive income. Furthermore, adjustments to the interest rates to measure other provisions had a positive effect on the financial result of €99 million.

The income tax expense for the interim consolidated financial statements is calculated pursuant to IAS 34 (Interim Financial Reporting) based on the annual average tax rate expected for the entire fiscal year.

Taking the condensed presentation into account, generally the same accounting policies and consolidation principles have been used when preparing the interim consolidated financial statements and determining the comparative figures for the prior year as those used in the 2021 consolidated financial statements. A detailed description of these methods can be found in the notes to the 2021 consolidated financial statements under "Accounting policies".

In addition, the effects of new standards are described in more detail in the notes to the 2021 consolidated financial statements under " New and amended standards and interpretations".

Significant events

Diesel issue

On November 2, 2015, the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America, Inc. The notice alleges that certain 3.0 liter V6 Volkswagen group diesel engines are in contravention of the applicable emissions certification standards. A detailed explanation can be found in the 2021 consolidated financial statements under "Litigation".

More information on litigation in connection with the diesel issue can be found here under "Litigation".

Russia-Ukraine conflict / Covid-19 pandemic / semiconductor shortages

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There are significant price rises, particularly on the energy and commodity markets, and significant increases in inflation rates have been observed internationally. In addition, the parts supply shortages intensified in this context directly after the start of the conflict. In the Porsche AG group, this particularly affected the supply of cable harnesses from Ukraine. The Porsche AG group took immediate action to clear these supply bottlenecks from Ukraine, with the result that there are no material bottlenecks in this regard at present.

Moreover, various sanctions have been imposed on Russia as a result of the conflict, especially by the EU and the USA. These sanctions restrict economic transactions with Russia and have an impact on the Russian companies of the Porsche AG group and on sales of vehicles to Russia. They also affect the new financial services business in Russia and could potentially lead to impairment risks to existing leased assets and financial receivables. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Porsche AG has decided to halt vehicle exports to Russia. In addition, the respective sanction requirements are also being complied with in relation to parts supplies and the provision of technical information. To date, only an insignificant number of complaints has been received from customers, service providers, or other contract partners. It is not clear at present how the situation with develop further.

Triggered by the Russia-Ukraine conflict and its indirect effects, significant assets of the Porsche AG group were tested for impairment as of 30 June 2022. The impairment test did not reveal any need for impairment beyond the normal measurement. In connection with the measurement of liabilities against the backdrop of the Russia-Ukraine conflict, expenses in the mid-two-digit million euro range were recognized in the first half of 2022, primarily in the other operating result. Given the very dynamic developments, it is, however, not possible at present to make a reliable assessment of the many different effects of the growing supply insecurity affecting energy resources in Europe (e.g., the gas shortage).

As a result of the turbulence on the money and capital markets due to the Russia-Ukraine conflict, income in the mid-two-digit million euro range had to be recognized in the other operating result, primarily from the premature termination of the currency hedge.

Apart from the effects of the Russia-Ukraine conflict, the global spread of the Omicron variant of coronavirus SARS-CoV-2 continued to lead to considerable disruption to everyday life and the economy in a number of regions in the first half of 2022. In China particularly, local infection outbreaks during the first half of 2022 led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic constraints and disruption to supply chains.

In addition to uncertainty and measures being taken around the world to deal with the Covid-19 pandemic, persistent semiconductor supply shortages and the resulting limited availability of vehicles meant that demand could not be adequately met in some regions.

IFRS 5 – Assets held for distribution

Non-current assets are classified as held for distribution if it is highly probable that they will mainly be recovered through a distribution transaction rather than through continuing use.

In the second quarter, the shareholders of Porsche AG approved the spin-off of assets, primarily non-current loan receivables and other financial assets due from Porsche Holding Stuttgart GmbH as well as receivables due from Volkswagen AG from the in-house bank account, which are classified as cash and cash equivalents, to another company of the Volkswagen AG Group. As of June 30, 2022 and thus before the spin-offs take effect through entry in the commercial register at the beginning of July 2022, these financial assets are therefore classified as assets held for distribution.

The assets held for distribution are stated at their carrying amount and break down as follows:

€ million	June 30, 2022
Loan receivables due from Porsche Holding Stuttgart GmbH	**8,349**
Other financial assets	**2,028**
Cash and cash equivalents	**1,501**
Deferred tax assets	**3**
Assets held for distribution	**11,881**

The assets are allocated to the automotive segment.

Due to the spin-off resolutions, liabilities from distributions in kind of €11,881 million were recognized as of June 30, 2022, leading to a decrease in the capital reserve and retained earnings.

Basis of consolidation

In addition to Porsche AG, which has its registered offices in Stuttgart and is registered at the Stuttgart Local Court under HRB 730623, the consolidated financial statements include all material German and foreign subsidiaries, including structured entities, that are controlled directly or indirectly by Porsche AG. Control exists if Porsche AG has power over the potential subsidiary, directly or indirectly, as a result of voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and is able to affect those returns. There are no significant restrictions.

Rimac Group d.o.o.

The Porsche AG group had already increased its shareholding in the Croatian technology group Rimac Group d.o.o. in the past year. In the course of an additional financing round, the Porsche AG group also made an investment in the tens of millions. Following the transaction, the Porsche AG group still holds more than 20% of Rimac Group d.o.o., which it continues to account for using the equity method. Porsche AG group and Rimac Group d.o.o. have thus taken the next step in their collaboration toward the digital and electrified future of mobility.

IONITY Holding GmbH & Co. KG

IONITY Holding GmbH & Co. KG operates what is currently Europe's largest high-power charging network that is accessible for most electric vehicles. With a view to further expanding the charging infrastructure, the investment that had already been agreed on in the past year was implemented by a financial investor in 2022. The Porsche AG group's shareholding now amounts to around 15% and it has significant influence, which is why IONITY Holding GmbH & Co. KG continues to be accounted for using the equity method.

1. Sales revenue

STRUCTURE OF SALES REVENUE OF THE GROUP IN H1 2022

€ million	Automotive	Financial Services	Total Segments	Reconciliation	Porsche AG Group
Vehicles	14,208	–	14,208	–50	14,158
Genuine parts	837	–	837	–0	837
Used vehicles and third-party products	647	809	1,456	–48	1,408
Rental and leasing business	0	642	642	–16	626
Interest and similar income from financial services business	0	145	145	–1	143
Hedges sales revenue	–539	–	–539	–	–539
Other revenue	1,271	21	1,292	–4	1,288
	16,425	**1,616**	**18,042**	**–120**	**17,922**

STRUCTURE OF SALES REVENUE OF THE GROUP IN H1 2021

€ million	Automotive	Financial Services	Total Segments	Reconciliation	Porsche AG Group
Vehicles	12,832	–	12,832	–58	12,774
Genuine parts	721	–	721	–0	721
Used vehicles and third-party products	620	794	1,415	–49	1,365
Rental and leasing business	1	606	607	–10	597
Interest and similar income from financial services business	0	119	119	–2	117
Hedges sales revenue	–85	–	–85	–	–85
Other revenue	1,017	24	1,041	–5	1,036
	15,107	**1,543**	**16,650**	**–125**	**16,525**

Other revenue contains insurance premiums received from used vehicle warranty insurance policies. Otherwise, other revenue mainly contains income from mobile services, consulting, development services and workshop services.

2. Cost of sales

Cost of sales amounted to €12,869 million (prior year: €12,036 million) and mainly comprises production materials, personnel expenses, non-staff overheads and depreciation and amortization.

Cost of sales also contains interest expenses attributable to the financial services business amounting to €37 million (prior year: €30 million), impairment losses on leased assets amounting to €84 million (prior year: €68 million) and expenses for indemnification payments from warranty insurance for used vehicles' insurance amounting to €36 million (prior year: €23 million).

3. Research and development costs

€ million	H1 2022	H1 2021	%
Total research and development costs	1,304	1,255	3.9
of which: capitalized development costs	985	784	25.6
Capitalization ratio in %	75.6	62.5	
Amortization of capitalized development costs	380	491	–22.7
Research and development costs recognized in the income statement	**699**	**962**	–27.4

4. Earnings per share

Basic earnings per share are calculated by dividing the share of the result of Porsche AG's shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting year. By amendment to the articles of association of Porsche AG effective August 15, 2022 the number of issued shares changes to 455,500,000 ordinary shares and 455,500,000 preferred shares. As this change was made before the financial statements were approved for publication, this change has been taken into account retrospectively for all periods presented. Since there were no transactions in the reporting period that had a dilutive effect on the number of shares, diluted earnings per share correspond to the basic earnings per share.

Pursuant to article 28 (4) of the Articles of Association of Porsche AG, the preferred shareholders are entitled to an additional dividend of € 0.01 per preferred share above the dividend allocable to the ordinary share.

		H1 2022	H1 2021
Weighted average number of:			
Ordinary shares – basic/diluted	Shares	455,500,000	455,500,000
Preferred shares – basic/diluted	Shares	455,500,000	455,500,000
Earnings after tax	€ million	2,505	2,118
Noncontrolling interests	€ million	5	5
Earnings attributable to Volkswagen AG shareholders	€ million	2,500	2,113
of which: basic/diluted earnings attributable to ordinary shares	€ million	1,248	1,054
of which: basic/diluted earnings attributable to preferred shares	€ million	1,252	1,059
Earnings per ordinary share – basic/diluted	€	2.74	2.31
Earnings per preferred share – basic/diluted	€	2.75	2.32

5. Non-current assets

DEVELOPMENT OF SELECTED NON-CURRENT ASSETS FROM JANUARY 1 TO JUNE 30, 2022

€ million	Carrying amount at Jan. 1, 2022	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at June 30, 2022
Intangible assets	6,190	1,098	2	473	6,813
Property, plant and equipment	8,763	482	–26	612	8,659
Leased assets	3,954	997	407	496	4,048
Other equity investments	313	337	8	–	643

In the fiscal year, additions to other equity investments primarily relate to the acquisition of shares in FAZUA GmbH (€101 million), the acquisition of an investment in Group14 Technologies (€92 million) as well as the acquisition of Porsche Financial Services Korea Ltd. (€54 million).

Other financial assets come to €702 million (prior year: €8,596 million) and in the prior year contained loan receivables due from Porsche Holding Stuttgart GmbH of €8,135 million. See also the explanations in the note "Significant events (section: IFRS 5 – Assets held for distribution)".

6. Inventories

€ million	June 30, 2022	Dec. 31, 2021
Raw materials, consumables and supplies	445	385
Work in progress	471	1,078
Finished goods and merchandise	4,256	2,994
Current rental and leasing assets	37	26
Advance payments made	34	34
	5,245	**4,517**

The write-downs recognized in profit or loss in the reporting period amounted to €62 million (prior year: €55 million) and largely resulted from the remeasurement of used vehicles. Reversals of write-downs of €1 million (prior year: €1 million) were recognized in profit or loss in the reporting period, also resulting primarily from the remeasurement of used vehicles.

7. Current other financial assets and other receivables

€ million	June 30, 2022	Dec. 31, 2021
Trade receivables	1,106	1,199
Other financial assets and miscellaneous other receivables	2,779	5,932
	3,885	**7,131**

In the period from January 1 to June 30, 2022, the operating result was negatively impacted by impairment losses and reversals of impairment losses on non-current and current financial assets amounting to €4 million (prior year: €3 million).

Other financial assets contain receivables from Volkswagen AG of €0 million (prior year: €2,000 million) and Porsche Holding Stuttgart GmbH of €6 million (prior year: €2,058 million). These relate to the current clearing account and interest receivables of Porsche AG. See also the explanations in the note "Significant events (section: IFRS 5 – Assets held for distribution)".

No significant impairment losses were recognized for other financial assets.

8. Equity

Porsche AG's subscribed capital amounts to €45,500,000 (prior year: €45,500,000) and is divided into 45,500,000 (prior year: 45,500,000) no-par-value shares, each with a pro rata share of €1 of the share capital. For changes during the year, please see the explanations in the note "Significant events (section: IFRS 5 – Assets held for distribution)" and "Significant events after the reporting date".

Non-controlling interests in equity relate to 25 per cent of the shares in Porsche Taiwan Motors Ltd., Taipei.

9. Non-current financial liabilities

€ million	June 30, 2022	Dec. 31, 2021
ABS-refinancing and debenture bonds	5,091	5,244
Liabilities to banks	345	399
Lease liabilities	987	956
	6,424	**6,599**

10. Current financial liabilities

€ million	June 30, 2022	Dec. 31, 2021
ABS-refinancing and debenture bonds	2,989	2,795
Liabilities to banks	229	221
Lease liabilities	111	107
Other financial liabilities	9	5
	3,338	**3,128**

11. Fair value disclosures

Generally, the principles and techniques used for fair value measurement remained unchanged year on year. Detailed explanations of the measurement principles and techniques can be found in the “Accounting policies” section of the 2021 consolidated financial statements.

Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models.

Financial assets and liabilities measured at fair value in profit or loss consist of derivative financial instruments to which hedge accounting is not applied. This primarily includes interest rate swaps, currency swaps and interest rate/currency swaps as well as options to acquire equity instruments. Moreover, other equity investments (shares representing an ownership interest of less than 20% as a rule) in partnerships (debt instruments) as well as financial assets held in special funds controlled by the Porsche AG group are measured at fair value in profit or loss. Derivative financial instruments to which hedge accounting is applied are measured at fair value directly in equity.

Financial assets measured at fair value through other comprehensive income include equity investments (shares representing an ownership interest of less than 20% as a rule) in corporations (equity instruments) for which the Porsche AG group normally exercises the option of fair value measurement through other comprehensive income. For instruments measured through other comprehensive income, changes in fair value are recognized directly in equity, taking deferred taxes into account.

Uniform valuation techniques and inputs are used to measure fair value. The fair value of Level 2 and Level 3 financial instruments is measured in the individual divisions on the basis of group-wide specifications.

RECONCILIATION OF ITEMS IN THE STATEMENT OF FINANCIAL POSITION TO CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the reconciliation of the items in the statement of financial position to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting the carrying amount using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally deemed to be their carrying amount.

The risk variables governing the fair value of the receivables are risk-adjusted interest rates.

RECONCILIATION OF ITEMS IN THE STATEMENT OF FINANCIAL POSITION TO CLASSES OF FINANCIAL INSTRUMENTS AS OF JUNE 30, 2022

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT JUNE 30, 2022
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	643	643
Other equity investments	273	–	–	–	369	643
Financial services receivables	–	2,721	2,598	–	1,174	3,895
Other financial assets[1]	92	301	292	309	–	702
Current assets						
Trade receivables	–	1,106	1,106	–	0	1,106
Financial services receivables	–	776	776	–	562	1,338
Other financial assets[2]	399	1,407	1,407	90	–	1,897
Tax receivables	–	–	–	–	91	91
Securities and time deposits[3]	1,376	658	658	–	–	2,034
Cash and cash equivalents[3]	–	3,838	3,838	–	–	3,838
Assets held for distribution	–	11,881	11,881	–	–	11,881
Non-current liabilities						
Financial liabilities	–	5,437	5,313	–	987	6,424
Other financial liabilities[4]	–	254	254	1,051	–	1,306
Current liabilities						
Financial liabilities	–	3,227	3,227	–	111	3,338
Trade payables	–	3,181	3,181	–	–	3,181
Other financial liabilities[5]	80	973	973	1,140	–	2,194
Tax payables	–	–	–	–	86	86
Liabilities from distributions in kind	–	11,881	11,881	–	–	11,881

1 Other assets that are not financial assets are not included (other receivables and deferred tax assets: €1,342 million).
2 Other assets that are not financial assets are not included (other receivables: €882 million).
3 As of June 30, 2022, time deposits with an original contractual term of more than 3 months were allocated to “Securities and time deposits”; as of December 31, 2021 these were contained in “Cash and cash equivalents” (€359 million), which had been recorded under “Cash, cash equivalents and time deposits” in the prior year.
4 Other liabilities that are not financial liabilities are not included (other provisions, deferred tax liabilities and other liabilities: €3,349 million).
5 Other liabilities that are not financial liabilities are not included (income tax provisions, other provisions and other liabilities: €4,605 million).

RECONCILIATION OF ITEMS IN THE STATEMENT OF FINANCIAL POSITION TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2021

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT DEC. 31 , 2021
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	573	573
Other equity investments	142	–	–	–	171	313
Financial services receivables	–	2,330	2,402	–	1,131	3,461
Other financial assets[1]	147	8,301	9,009	148	–	8,596
Current assets						
Trade receivables	–	1,199	1,199	–	–	1,199
Financial services receivables	–	497	497	–	584	1,081
Other financial assets[2]	71	5,219	5,219	63	–	5,353
Tax receivables	–	–	–	–	155	155
Securities and time deposits[3]	982	–	–	–	–	982
Cash and cash equivalents[3]	–	4,686	4,686	–	–	4,686
Non-current liabilities						
Financial liabilities	–	5,643	5,680	–	956	6,599
Other financial liabilities[4]	1	259	259	373	–	633
Current liabilities						
Financial liabilities	–	3,021	3,021	–	107	3,128
Trade payables	–	2,447	2,447	–	–	2,447
Other financial liabilities[5]	16	2,857	2,857	765	–	3,638
Tax payables	–	–	–	–	65	65

1 Other assets that are not financial assets are not included (other receivables and deferred tax assets: €980 million).
2 Other assets that are not financial assets are not included (other receivables: €579 million).
3 As of June 30, 2022, time deposits with an original contractual term of more than 3 months were allocated to "Securities and time deposits"; as of December 31, 2021 these were contained in "Cash and cash equivalents" (€359 million), which had been recorded under "Cash, cash equivalents and time deposits" in the prior year.
4 Other liabilities that are not financial liabilities are not included (other provisions, deferred tax liabilities and other liabilities: €2,611 million).
5 Other liabilities that are not financial liabilities are not included (income tax provisions, other provisions and other liabilities: €3,801 million).

The class "Not allocated to a measurement category" primarily includes lease receivables, lease liabilities, investments accounted for using the equity method as well as investments in non-consolidated affiliates.

Lease receivables have a carrying amount of €1,736 million (prior year: €1,714 million) and a fair value of €1,640 million (prior year: €1,765 million).

As a result of the increased number of time deposits with an original contractual term of more than 3 months, these time deposits have been recognized together with securities as of June 30, 2022.

The tables below provide an overview of the financial assets and liabilities measured at fair value:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	June. 30, 2022	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	273	0	0	273
Financial services receivables	–	–	–	–
Other financial assets	92	–	92	–
Current assets				
Trade receivables	–	–	–	–
Financial services receivables	–	–	–	–
Other financial assets	399	–	313	86
Securities and time deposits[1]	1,376	1,376	–	–
Non-current liabilities				
Other financial liabilities	–	–	–	–
Current liabilities				
Other financial liabilities	80	–	80	–

1 As of June 30, 2022, time deposits with an original contractual term of more than 3 months were allocated to “Securities and time deposits”; as of December 31, 2021 these were contained in “Cash and cash equivalents” (€359 million), which had been recorded under “Cash, cash equivalents and time deposits” in the prior year.

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	142	0	0	142
Financial services receivables	–	–	–	–
Other financial assets	147	–	87	60
Current assets				
Trade receivables	–	–	–	–
Financial services receivables	–	–	–	–
Other financial assets	71	–	70	1
Securities and time deposits[1]	982	982	–	–
Non-current liabilities				
Other financial liabilities	1	–	1	–
Current liabilities				
Other financial liabilities	16	–	16	–

1 As of June 30, 2022, time deposits with an original contractual term of more than 3 months were allocated to “Securities and time deposits”; as of December 31, 2021 these were contained in “Cash and cash equivalents” (€359 million), which had been recorded under “Cash, cash equivalents and time deposits” in the prior year.

DERIVATIVE FINANCIAL INSTRUMENTS INCLUDED IN HEDGE ACCOUNTING BY LEVEL

€ million	June. 30, 2022	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	309	–	309	–
Current assets				
Other financial assets	90	–	90	–
Non-current liabilities				
Other financial liabilities	1,051	–	1,051	–
Current liabilities				
Other financial liabilities	1,140	–	1,140	–

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	148	–	148	–
Current assets				
Other financial assets	63	–	63	–
Non-current liabilities				
Other financial liabilities	373	–	373	–
Current liabilities				
Other financial liabilities	765	–	765	–

Fair values are allocated to the levels of the fair value hierarchy based on the availability of observable market prices. Level 1 shows the fair values of financial instruments where a quoted price is directly available on active markets. This includes securities issued by the Porsche AG group. Fair values in level 2, such as derivatives, are derived from market data using market valuation techniques. These market data include in particular currency exchange rates and yield curves which are observable on the relevant markets and can be obtained from pricing service providers. Level 3 fair values are calculated using valuation techniques with inputs that are not based on directly observable market data. In particular, the Porsche AG group allocated other equity investments and options on equity instruments to level 3. Equity instruments are primarily measured on the basis of the respective business plans and entity-specific discount rates.

The table below summarizes the changes in items in the statement of financial position measured at fair value and allocated to level 3:

CHANGES IN ITEMS IN THE STATEMENT OF FINANCIAL POSITION MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value
Balance at Jan. 1, 2022	**203**
Additions (acquisitions)	131
Total comprehensive income	51
recognized in profit or loss	39
recognized in other comprehensive income	12
Realizations	–26
Balance at June 30, 2022	**359**

€ million	Financial assets measured at fair value
Balance at Jan. 1, 2021	**147**
Changes in consolidated Group	–158
Additions (acquisitions)	85
Transfers from Level 3 into Level 2	0
Total comprehensive income	58
recognized in other comprehensive income	58
Balance at June 30, 2021	**132**

Transfers between the levels of the fair value hierarchy are generally reported as of the respective reporting dates.

There were no transfers between the levels of the fair value hierarchy during the reporting period.

The key risk variable for options on equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in the risk variable on profit after tax.

If the assumed enterprise values had been 10 per cent higher as of June 30, 2022, profit after tax would have been €6 million (prior year: €4 million) higher. If the assumed enterprise values had been 10 per cent lower, profit after tax would have been €6 million (prior year: €4 million) lower.

If the financial performance of the equity investments measured at fair value as of June 30, 2022 had been 10 per cent better, equity would have been €15 million higher (prior year: €4 million) and profit after tax €4 million higher (prior year: €2 million). If the financial performance of the equity investments measured at fair value had been 10 per cent worse, equity would have been €15 million lower (prior year: €4 million) and profit after tax €4 million lower (prior year: €2 million).

12. Statement of cash flows

The statement of cash flows shows the cash inflow within the Porsche AG group. Cash and cash equivalents according to the statement of cash flows comprise bank balances, checks, cash on hand, time deposits with an original contractual term of up to 3 months and funds due on demand.

€ million	June 30, 2022	June 30, 2021
Cash and cash equivalents as reported in the statement of financial position[1]	3,838	3,278
Cash and cash equivalents held for distribution	1,501	–
Time deposits[1]	0	–161
Cash and cash equivalents as reported in the statement of cash flows	**5,340**	**3,117**

1 As of June 30, 2021, "cash and cash equivalents as reported in the statement of financial position" contain time deposits with an original contractual term of more than 3 months.

13. Segment reporting

The segments are based on the internal management and reporting within the Porsche AG group. This takes into account the group objectives and policies set by the Executive Board of Porsche AG. Segment reporting is made up of the two reportable segments automotive and financial services.

The activities of the automotive segments cover the development, manufacturing and sale of vehicles as well as related services.

The activity of the financial services segment comprises customer and dealer financing, the leasing business as well as mobility services and other finance-related services.

The purchase price allocation from acquired companies is directly allocated to the corresponding segments.

In the Porsche AG group, the segment result is determined on the basis of the operating profit after tax.

Reconciliation includes consolidation between the segments.

The business relationships between the companies of the segments of the Porsche AG group are generally based on arm's length prices.

REPORTING SEGMENTS H1 2022

€ million	Automotive	Financial Services	Total segments	Reconciliation	Porsche AG Group
Sales revenue from external customers	16,352	1,569	17,922	–	17,922
Intersegment sales revenue	73	47	120	–120	–
Total sales revenue	16,425	1,616	18,042	–120	17,922
Segment result (operating result)	3,261	216	3,477	3	3,480
Depreciation and amortization	1,080	438	1,518	–20	1,498
Impairment losses	0	84	84	0	84

REPORTING SEGMENTS H1 2021

€ million	Automotive	Financial Services	Total segments	Reconciliation	Porsche AG Group
Sales revenue from external customers	15,031	1,494	16,525	0	16,525
Intersegment sales revenue	76	49	125	–125	–
Total sales revenue	15,107	1,543	16,650	–125	16,525
Segment result (operating result)	2,661	151	2,812	–20	2,792
Depreciation and amortization	1,193	397	1,590	–18	1,571
Impairment losses	0	68	68	–	68

RECONCILIATION

€ million	H1 2022	H1 2021
Segment profit (operating profit)	**3,477**	**2,812**
Consolidation	3	–20
Operating profit	**3,480**	**2,792**
Financial result	**208**	**172**
Consolidated profit before tax	**3,688**	**2,964**

BY REGION H1 2022

€ million	Germany	Europe without Germany	North America[1]	China[2]	Rest of the world	Hedges sales revenue	Porsche AG Group
Sales revenue from external customers	2,091	3,401	4,968	5,640	2,361	–539	17,922

1 excl. Mexico
2 incl. Hong Kong

BY REGION H1 2021

€ million	Germany	Europe without Germany	North America[1]	China[2]	Rest of the world	Hedges sales revenue	Porsche AG Group
Sales revenue from external customers	1,874	3,134	4,280	5,116	2,206	–85	16,525

1 excl. Mexico
2 incl. Hong Kong

Sales revenues allocated to the regions in accordance with the destination principle.

14. Related party disclosures

As of the reporting date, Porsche AG is a subsidiary of Porsche Holding Stuttgart GmbH, Stuttgart. Since August 1, 2012, Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH have been included in the consolidated financial statements of Volkswagen AG based on the control concept.

Porsche SE holds the majority of voting rights in Volkswagen AG.

The creation of rights of appointment for the State of Lower Saxony was resolved at the extraordinary general meeting of Volkswagen AG on 3 December 2009. This means that, even though it holds the majority of voting rights of Volkswagen AG, Porsche SE cannot determine the majority of the members of Volkswagen AG's supervisory board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. The Porsche SE group (Porsche SE) is therefore classified as a related party as defined by IAS 24.

	SUPPLIES AND SERVICES RENDERED H1		SUPPLIES AND SERVICES RECEIVED H1	
€ million	2022	2021	2022	2021
Porsche SE	1	1	0	0
State of Lower Saxony, its majority interests and joint ventures	0	0	–	–
Volkswagen AG - group	2,254	1,972	2,849	2,509
Porsche Holding Stuttgart GmbH	190	183	0	–
Non-consolidated entities	38	12	96	45
Joint ventures and their majority interests	1	1	15	4
Associates and their majority interests	2	1	43	35

	RECEIVABLES FROM		LIABILITIES TO	
€ million	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021
Porsche SE	0	0	0	0
State of Lower Saxony, its majority interests and joint ventures	28	21	–	–
Volkswagen AG - group	5,067	6,822	3,403	2,078
Porsche Holding Stuttgart GmbH	10,393	10,246	12,519	2,444
Non-consolidated entities	298	128	130	81
Joint ventures and their majority interests	46	5	3	2
Associates and their majority interests	46	38	110	91

Receivables from the Volkswagen AG Group largely relate to loans granted of €474 million (December 31, 2021: €2,348 million) as well as trade receivables of €344 million (December 31, 2021: €493 million). Receivables from non-consolidated subsidiaries also primarily result from loans granted of €248 million (December 31, 2021: €89 million) as well as from trade of €22 million (December 31, 2021: €12 million).

There is a master loan agreement with the Volkswagen group for a line of € 4,000 million (amount drawn: € 0 million; prior year: € 0 million).

Transactions with related parties are regularly conducted at arm's length.

With the conclusion of the notarized deed of the spin-off resolutions, liabilities from distributions in kind have been recognized at the carrying amount of the assets being spun off (€11,881 million) due to Porsche Holding Stuttgart GmbH. See also the explanations in the note "Significant events (section: IFRS 5 – Assets held for distribution)" and "Significant events after the reporting date".

Write-downs of €10 million (prior year: €10 million) were recognized in respect of the outstanding receivables from related parties. Expenses for this purpose in the first half of 2022 amounted to €0 million (prior year: €0 million).

The maximum credit risk for financial guarantees issued to joint ventures amounted to €73 million (prior year: €73 million).

From January to June, the Porsche AG group made capital contributions at related parties of €227 million (prior year: €11 million).

Furthermore, Porsche AG received a capital contribution of €257 million from Porsche Holding Stuttgart GmbH in the first six months of 2022. In the first six months of 2021, this capital contribution amounted to €254 million.

15. Litigation

Diesel issue

In July 2017, in connection with the diesel issue, the public prosecutor's office in Stuttgart had instigated a criminal investigation against an Executive Board member as well as a total of six employees or former employees of Porsche AG on suspicion of fraud and illegal advertising. Proceedings against an Executive Board member have since been discontinued without determining any misconduct pursuant to section 153a of the German Code of Criminal Procedure (Strafprozessordnung – StPO). A penalty order was also issued against a Porsche employee. This only relates to the Cayenne V8 TDI EU6 and to a period as of 2016. The penalty order has since become legally binding, meaning that these proceedings have also come to an end. According to the information currently available, the other individual proceedings are also expected to be closed shortly in accordance with section 153 StPO and section 153a StPO.

In July 2022, the European Court of Justice (ECJ) ruled that a so-called thermal window (i.e. a built-in temperature-dependent emissions control feature) in the range of 15°C and 33°C outside temperature represents a defeat device. In this context, the ECJ has developed a new, unwritten criterion according to which a thermal window, even if it serves to prevent sudden and extraordinary damage, is inadmissible if it is active for the "largest part of a year under the driving conditions which are acutally prevailing in the European Union area". Volkswagen Group and Porsche AG are assessing the effects of this decision and are in discussion with the authorities.

Additional important legal cases

In connection with the amended antitrust class action, which was initially dismissed with prejudice by the Northern District of California and which alleged that several automobile manufacturers, including Porsche AG and other group companies, had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protection law, the Ninth Circuit Court of Appeals in January 2022 dismissed plaintiffs' motion (filed at the end of 2021) for a new hearing on the decision in which the court had affirmed the judgment of the US District Court. In February 2022, the District Court also denied plaintiffs' motion to set aside its judgment and to be allowed to file a new complaint. In June 2022, the US Supreme Court definitively rejected the petition filed by the plaintiffs against this decision.

In March 2022, the European Commission and the Competition and Markets Authority (CMA), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. Volkswagen AG has received a group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association (ACEA), which are suspected of having agreed from 2001/2002 to the present to avoid paying for the services of recycling companies that dispose of end-of-life vehicles (ELV). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data for competitive purposes. The violation under investigation is alleged to have taken place in particular in working groups of the ACEA. A response was given to the European Commission's information request.

The public prosecutor's office in Stuttgart, had instigated a criminal investigation against twelve (former) employees at Porsche AG regarding issues in connection with gasoline-fueled vehicles. Proceedings against all those accused have since been closed pursuant to section 153 StPO. The public prosecutor's office has not instigated administrative fine proceedings against the company. The internal investigations into this matter at Porsche AG have largely been completed. Furthermore, the US Department of Justice ended proceedings on June 2, 2022 without consequence for the Porsche AG group. A comprehensive settlement agreement is aimed to be reached with the CARB (California Air Resources Board) in summer 2022. Talks with other authorities are still ongoing.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of provisions and contingent liabilities in connection with material litigation, so as not to prejudice the outcome of the proceedings or the company's interests.

Other than that, there were no significant changes in the reporting year compared to the detailed explanations contained in the 2021 consolidated financial statements under "Litigation".

16. Contingent liabilities

Contingent liabilities increased by €75 million to €117 million compared to the 2021 consolidated financial statements, primarily as a result of recognizing additional legal and product-related matters.

17. Other financial obligations

Other financial obligations increased by €995 million to €3,850 million overall compared to the 2021 consolidated financial statements. The increase is primarily attributable to obligations from development, supply and service agreements.

Significant events after the reporting date

At the beginning of July 2022, the spin-offs (under transformation law) of the assets held for distribution were formerly entered in the commercial register. As a result, the assets held for distribution and the corresponding liabilities from distributions in kind were derecognized. See also the explanations in the note “Significant events”.

At the beginning of August 2022, the annual general meeting resolved to perform a capital increase from company funds. This was entered in the commercial register on August 15, 2022. The capital increase raises the company’s share capital to € 911,000,000, which is divided into 455,500,000 ordinary shares and 455,500,000 non-voting preferred shares. For each no-par value share, an imputed share of € 1.00 in the share capital is attributable to the sole shareholder of the company.

Stuttgart, August 25, 2022

Porsche Aktiengesellschaft

The Executive Board

Dr. Oliver Blume,
Chairman

Lutz Meschke,
Deputy Chairman

Andreas Haffner

Detlev von Platen

Albrecht Reimold

Barbara Frenkel

Dr. Michal Steiner

Audited Consolidated Financial Statements of the Company as of and for the year ended December 31, 2021, prepared in accordance with IFRS

Consolidated Income Statement

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	Note	2021	2020
Sales revenue	**[1]**	**33,138**	**28,695**
Cost of sales[1)]	[2]	– 24,281	– 21,155
Gross profit		**8,857**	**7,540**
Distribution expenses	[3]	– 2,111	– 1,881
Administrative expenses[1)]	[4]	– 1,426	– 1,255
Other operating income	[5]	1,079	953
Other operating expenses[1)]	[6]	– 1,085	– 1,180
Operating profit		**5,314**	**4,177**
Share of profit or loss of equity-accounted investments	[7]	– 22	– 10
Interest income	[8]	421	406
Interest expenses	[8]	– 113	– 129
Other financial result	[9]	129	– 47
Financial result		**415**	**220**
Profit before tax		**5,729**	**4,397**
Income tax income/expense	[10]	– 1,691	– 1,231
Current		– 1,528	– 998
Deferred		– 163	– 233
Profit after tax		**4,038**	**3,166**
thereof profit attributable to shareholders	[24]	4,032	3,162
thereof profit attributable to non-controlling interests	[11]	6	4
Profit transferred to Porsche Holding Stuttgart GmbH	[24]	– 1,858	– 1,860

1) The prior-year figures were adjusted.

Consolidated Statement of Comprehensive Income

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2021			
Profit after tax	**4,038**	**4,032**	**6**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	**877**	877	–
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	**– 261**	– 261	–
Pension plan remeasurements recognized in other comprehensive income, net of tax	**616**	616	–
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	**43**	43	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	**0**	0	–
Items that will not be reclassified to profit or loss	**659**	**659**	**–**
Foreign exchange differences			
Unrealized currency translation gains/losses	**397**	396	1
Transferred to profit or loss	**0**	–	–
Exchange differences on translating foreign operations, before tax	**397**	396	1
Deferred taxes relating to exchange differences on translating foreign operations	**–**	–	–
Exchange differences on translating foreign operations, net of tax	**397**	396	1
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	**– 1,523**	– 1,523	–
Transferred to profit or loss (OCI I)	**– 75**	– 75	–
Cash flow hedges (OCI I), before tax	**– 1,598**	– 1,598	–
Deferred taxes relating to cash flow hedges (OCI I)	**480**	480	–
Cash flow hedges (OCI I), net of tax	**– 1,118**	– 1,118	–
Fair value changes recognized in other comprehensive income (OCI II)	**– 391**	– 391	–
Transferred to profit or loss (OCI II)	**570**	570	–
Cash flow hedges (OCI II), before tax	**179**	179	–
Deferred taxes relating to cash flow hedges (OCI II)	**– 54**	– 54	–
Cash flow hedges (OCI II), net of tax	**125**	125	–
Fair value valuation of debt instruments that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	**–**	–	–
Transferred to profit or loss	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	**–**	–	–
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	**1**	1	–
Items that may be reclassified subsequently to profit or loss	**– 595**	**– 596**	**1**
Other comprehensive income, before tax	**– 101**	– 102	1
Deferred taxes relating to other comprehensive income	**165**	165	–
Other comprehensive income, net of tax	**64**	**63**	**1**
Total comprehensive income	**4,102**	**4,095**	**7**

Consolidated Statement of Comprehensive Income

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2020

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2020			
Profit after tax	**3,166**	**3,162**	**4**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	**6**	6	0
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	**4**	4	– 0
Pension plan remeasurements recognized in other comprehensive income, net of tax	**10**	10	–
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	**– 0**	– 0	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	**– 1**	– 1	–
Items that will not be reclassified to profit or loss	**9**	**9**	**–**
Foreign exchange differences			
Unrealized currency translation gains/losses	**– 340**	– 340	– 0
Transferred to profit or loss	**– 0**	– 0	–
Exchange differences on translating foreign operations, before tax	**– 340**	– 340	– 0
Deferred taxes relating to exchange differences on translating foreign operations	**–**	–	–
Exchange differences on translating foreign operations, net of tax	**– 340**	– 340	– 0
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	**1,391**	1,391	–
Transferred to profit or loss (OCI I)	**– 283**	– 283	–
Cash flow hedges (OCI I), before tax	**1,108**	1,108	–
Deferred taxes relating to cash flow hedges (OCI I)	**– 332**	– 332	–
Cash flow hedges (OCI I), net of tax	**776**	776	–
Fair value changes recognized in other comprehensive income (OCI II)	**– 492**	– 492	–
Transferred to profit or loss (OCI II)	**521**	521	–
Cash flow hedges (OCI II), before tax	**29**	29	–
Deferred taxes relating to cash flow hedges (OCI II)	**– 7**	– 7	–
Cash flow hedges (OCI II), net of tax	**22**	22	–
Fair value valuation of debt instruments that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	**–**	–	–
Transferred to profit or loss	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	**–**	–	–
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	**– 0**	– 0	–
Items that may be reclassified subsequently to profit or loss	**458**	**458**	**– 0**
Other comprehensive income, before tax	**802**	802	– 0
Deferred taxes relating to other comprehensive income	**– 335**	– 335	– 0
Other comprehensive income, net of tax	**467**	**467**	**– 0**
Total comprehensive income	**3,633**	**3,629**	**4**

Equity is explained in note **[24]**.

Consolidated Statement of Financial Position

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2021

€ million	Note	Dec. 31, 2021	Dec. 31, 2020
Assets			
Intangible assets	[12]	**6,190**	5,437
Property, plant and equipment	[13] [34]	**8,763**	8,695
Leased assets	[15] [34]	**3,954**	3,614
Equity-accounted investments	[14]	**573**	167
Other equity investments	[14]	**313**	217
Financial services receivables	[18]	**3,461**	2,414
Other financial assets	[19]	**8,596**	8,870
Other receivables	[20]	**113**	164
Deferred tax assets	[10] [21]	**867**	817
Non-current assets		**32,830**	**30,395**
Inventories	[16]	**4,517**	4,108
Trade receivables	[17]	**1,199**	1,081
Financial services receivables	[18]	**1,081**	1,122
Other financial assets	[19]	**5,353**	2,761
Other receivables	[20]	**579**	606
Tax receivables	[21]	**155**	163
Securities	[22]	**982**	755
Cash, cash equivalents and time deposits	[23]	**4,686**	4,500
Current assets		**18,552**	**15,096**
		51,382	**45,491**
Equity and Liabilities			
Subscribed capital	[24]	**45**	45
Capital reserves	[24]	**14,225**	13,754
Retained earnings	[24]	**9,146**	6,302
Other reserves	[24]	**– 489**	118
Equity before non-controlling interests	[24]	**22,927**	**20,219**
Non-controlling interests	[24]	**8**	5
Equity		**22,935**	**20,224**
Provisions for pensions and similar obligations	[25]	**5,525**	5,932
Other provisions	[26]	**1,184**	939
Deferred tax liabilities	[10] [31]	**782**	685
Financial liabilities	[27]	**6,599**	5,668
Other financial liabilities	[29]	**633**	285
Other liabilities	[30]	**645**	473
Non-current liabilities		**15,368**	**13,982**
Provisions for taxes	[31]	**126**	111
Other provisions	[26]	**2,189**	1,849
Financial liabilities	[27]	**3,128**	2,657
Trade payables	[28]	**2,447**	2,335
Other financial liabilities	[29]	**3,638**	2,959
Other liabilities	[30]	**1,486**	1,331
Tax payables	[31]	**65**	43
Current liabilities		**13,079**	**11,285**
		51,382	**45,491**

Consolidated Statement of Cash Flows

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	2021	2020
Cash and cash equivalents at beginning of period	**4,344**	**3,174**
Profit before tax	**5,729**	4,397
Income taxes paid	**– 1,552**	– 837
Depreciation, amortization and impairment losses	**3,214**	3,357
Gain/loss on disposal of non-current assets	**35**	49
Share of profit or loss of equity-accounted investments	**23**	15
Other non-cash expense/income	**– 222**	– 13
Change in inventories	**– 152**	– 223
Change in receivables (excluding financial services)	**– 409**	– 734
Change in liabilities (excluding financial liabilities)	**543**	– 134
Change in pension provisions	**471**	493
Change in other provisions	**539**	– 299
Change in leased assets	**– 931**	– 945
Change in financial services receivables	**– 872**	– 987
Cash flows from operating activities	**6,416**	**4,140**
Investments in intangible assets (excluding capitalized development costs), and property, plant and equipment	**– 1,442**	– 1,547
Additions to capitalized development costs	**– 1,601**	– 1,225
Change in equity investments	**– 352**	– 46
Cash received from disposal of intangible assets and property, plant and equipment	**21**	48
Change in investments in securities	**– 283**	– 300
Change in loans and time deposits	**– 2,308**	51
Cash flows from investing activities	**– 5,965**	**– 3,019**
Capital contributions	**471**	1,028
Profit transfer and dividends	**– 1,864**	– 1,802
Capital transactions with non-controlling interests	**–**	–
Proceeds from issuance of bonds	**5,243**	3,222
Repayment of bonds	**– 3,814**	– 2,550
Change in other financial liabilities	**– 444**	282
Repayments of lease liabilities	**– 110**	– 102
Cash flows from financing activities	**– 518**	**78**
Effect of exchange rate changes on cash and cash equivalents	**50**	– 29
Net change in cash and cash equivalents	**– 67**	**1,199**
Cash and cash equivalents at end of period	**4,327**	**4,344**

Cash and cash equivalents at end of period	**4,327**	4,344
Securities, loans and time deposits	**4,079**	1,518
Gross liquidity	**8,406**	**5,862**

The statement of cash flows is explained in note **[32]**.

Consolidated Statement of Changes in Equity

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation
Balance at Jan. 1, 2020	**45**	**12,726**	**4,991**	**167**
Profit after tax	–	–	3,162	–
Other comprehensive income, net of tax	–	–	10	– 340
Total comprehensive income	**–**	**–**	**3,172**	**– 340**
Disposal of equity instruments	–	–	–	–
Capital contribution	–	1,028	–	–
Profit transfer and dividends payment	–	–	– 1,860	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	– 1	–
Balance at Dec. 31, 2020	**45**	**13,754**	**6,302**	**– 173**
Balance at Jan. 1, 2021	**45**	**13,754**	**6,302**	**– 173**
Profit after tax	–	–	4,032	–
Other comprehensive income, net of tax	–	–	616	396
Total comprehensive income	**–**	**–**	**4,648**	**396**
Disposal of equity instruments	–	–	54	–
Capital contribution	–	471	–	–
Profit transfer and dividends payment	–	–	– 1,858	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–	–
Balance at Dec. 31, 2021	**45**	**14,225**	**9,146**	**223**

		Other reserves			
Hedging					
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Non-controlling interests	Total equity
– 19	**– 487**	**–**	**0**	**5**	**17,428**
–	–	–	–	4	3,166
776	22	– 0	– 1	– 0	467
776	**22**	**– 0**	**– 1**	**4**	**3,633**
–	–	–	–	–	–
–	–	–	–	–	1,028
–	–	–	–	– 4	– 1,864
–	–	–	–	–	–
–	–	–	–	–	– 1
757	**– 465**	**– 0**	**– 1**	**5**	**20,224**

757	**– 465**	**– 0**	**– 1**	**5**	**20,224**
–	–	–	–	6	4,038
– 1,118	125	43	1	1	64
– 1,118	**125**	**43**	**1**	**7**	**4,102**
–	–	– 54	–	–	–
–	–	–	–	–	471
–	–	–	–	– 4	– 1,862
–	–	–	–	–	–
–	–	–	– 0	–	–
– 361	**– 340**	**– 11**	**– 0**	**8**	**22,935**

Equity is explained in note **[24]**.

Notes to the Consolidated Financial Statements

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2021

BASIS OF PRESENTATION

Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG") is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. Porsche AG's subscribed capital is held in full by Porsche Holding Stuttgart GmbH, Stuttgart, and a control and profit and loss transfer agreement is in place between the two entities. Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH are included in the consolidated financial statements of Volkswagen AG which are filed with the elektronische Bundesanzeiger (German Electronic Federal Gazette). The business purpose of Porsche AG and its subsidiaries ("Porsche AG group") is to manufacture and sell vehicles and engines of all kinds as well as other parts and components for these and other technical products. In addition, the business purpose includes performing development work and design engineering, including but not limited to vehicle and engine construction; consulting in the fields of development and manufacturing, including but not limited to vehicle and engine construction; consulting and development in the field of data processing as well as the production and distribution of data-processing products; marketing of merchandise and exploitation of brand rights, including but not limited to those containing the word "Porsche"; as well as all other activities that are technically or economically related, including the exploitation of intellectual property rights. Another of the Porsche AG group's business areas are financial services. This includes financing and leasing services for customers and dealers.

Volkswagen AG holds 100 per cent of the share capital of Porsche Holding Stuttgart GmbH and is thus the ultimate parent company of the Porsche AG group. A control and profit and loss transfer agreement has been in place between Volkswagen AG and Porsche Holding Stuttgart GmbH since fiscal year 2013.

The voluntary consolidated financial statements of Porsche AG as of December 31, 2021 are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The standards published by the International Accounting Standards Board (IASB), London, that are applicable as of the reporting date as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are valid for the reporting period are taken into account.

The reporting period of the Porsche AG group (Porsche AG and its subsidiaries) covers the period from January 1, 2021 to December 31, 2021 and thus corresponds to the 12-month fiscal year of the legal parent company Porsche AG and of the ultimate parent company Volkswagen AG.

The group's presentation currency is the euro. Unless otherwise stated, all figures in the notes are presented in millions of euros (€ million). All amounts are rounded in line with common business practice; this can lead to minor differences in total amounts.

The accounting policies were generally the same as those applied in the prior year. The only changes were those necessitated by amended standards.

The income statement has been prepared using the function of expense method, as is common international practice.

Over the course of 2021, many restrictions stemming from the Covid-19 pandemic were lifted due in part to rising vaccination rates. No significant impairment losses relating to the Covid-19 pandemic had to be recognized in the consolidated financial statements as of December 31, 2021.

Supply shortages for semiconductors and resulting delivery bottlenecks had an increasingly negative impact across the entire industry. At the Porsche AG group, this likewise had an impact on the production and availability of vehicles for the customers of Porsche vehicles. As a result of this, the Porsche AG group saw a decrease in inventories of finished goods in the fiscal year while raw materials and work in process increased (see also the explanations in note **[16]**).

Preparing the consolidated financial statements in accordance with the above standards requires assumptions to be made regarding some items, which affect the amounts recognized and measured in the consolidated statement of financial position or consolidated income statement of the Porsche AG group and the disclosure of contingent assets and contingent liabilities. The consolidated financial statements give a true and fair view of the net assets, financial position and results of operations and the cash flows of the group.

The Executive Board prepared the consolidated financial statements of Porsche AG on February 21, 2022, and authorized their issue to the Supervisory Board. The period subsequent to the reporting date for which adjusting events can be disclosed ends on that date.

BASIS OF CONSOLIDATION

In addition to Porsche AG, the consolidated financial statements include all material German and foreign subsidiaries, including structured entities, that are controlled directly or indirectly by Porsche AG. Control exists if Porsche AG has power over the potential subsidiary, directly or indirectly, as a result of voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and is able to affect those returns. There are no significant restrictions.

The main purpose of the structured entities is to facilitate asset-backed securities transactions for the purpose of refinancing the financial services business and to invest financial resources in special securities funds. Subsidiaries are included in the consolidated financial statements from the date on which control is gained; they are deconsolidated when control no longer exists.

Subsidiaries that are dormant or have only negligible business activities, and unconsolidated structured entities that are not material, individually and in aggregate, for the purpose of giving a true and fair view of the net assets, financial position and results of operations, as well as the cash flows of the Porsche AG group, are not consolidated. They are carried in the consolidated financial statements at cost less any impairments and reversals of impairments required to be recognized.

Material companies where Porsche AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or where Porsche AG has joint control, directly or indirectly, together with another party (joint ventures), are accounted for at equity. Associates and joint ventures of immaterial importance are recognized at their respective acquisition costs or lower fair values.

The composition of the Porsche AG group is shown in the table below:

	2021	2020
Parent company and consolidated subsidiaries including special security funds		
Germany	**28**	29
Abroad	**85**	84
	113	113
Subsidiaries carried at cost		
Germany	**10**	10
Abroad	**32**	31
	42	41
Associates, joint ventures and other equity investments		
Germany	**21**	16
Abroad	**32**	20
	53	36
	208	**190**

The foreign company Porsche Financial Leasing Ltd., Shanghai, has been consolidated for the first time in the reporting period. The German company Invesco Fonds Nr. 140, Frankfurt am Main, was deconsolidated in the reporting period.

With the first-time consolidation of the one foreign company as well as the deconsolidation of the one German company, the number of fully consolidated subsidiaries has not changed. Individually and in aggregate, the changes in the consolidated group did not have any material impact on the presentation of the group's situation.

From the group's perspective, the non-consolidated structured companies are immaterial. In particular, there are no significant risks for the group.

The associate Bertrandt is an engineering partner of companies in the automotive and aviation industries. Its activities range from the development of individual components to complex modules and complete solutions. Bertrandt's main branch is in Ehningen.

As of December 31, 2021, the shares in Bertrandt had a quoted value of € 168 million (prior year: € 116 million).

In fiscal year 2021, a reversal of impairment losses of € 51 million (prior year: impairment of € 115 million) on the recoverable amount of € 166 million (prior year: € 120 million) was recognized in other income and expenses from equity investments due to the permanent increase in the quoted market price. The recoverable amount is the fair value less costs to sell (prior year: value in use). The fair value was determined on the basis of the quoted market price.

The Porsche AG group increased its shareholding in Rimac Automobili d.o.o. from 15 per cent to 24.31 per cent. This results in a significant influence being exercised over it and the equity investment being classified as an associate. On account of further capital increases at Rimac Automobili d.o.o. without the involvement of the Porsche AG group, the capital share fell to around 22.0 per cent as of December 31, 2021. The Croatian company based in Sveta Nedelja (Croatia), develops and produces high-tech components for battery-electric-driven vehicles.

Porsche AG acquired the shares in Bugatti Rimac d.o.o. in December 2021. Porsche holds 45 per cent of the shares. Porsche exercises significant influence over the company, qualifying it is an associate. It is being consolidated at equity for the first time on a provisional basis. Bugatti Rimac d.o.o is headquartered in Sveta Nedelja, Croatia. Bugatti Rimac d.o.o. produces Bugatti and Rimac sports cars.

In December 2021, Porsche AG acquired a 49 per cent shareholding in Bugatti International Holding S.à.r.l. Bugatti Rimac d.o.o. holds a 51 per cent stake in Bugatti International Holding S.à.r.l., a joint venture based in Luxembourg City (Luxembourg). On account of option agreements and their terms, the shares in Bugatti International Holding S.à.r.l. are classified as financial instrument, measured at fair value and recognized under other financial assets.

IONITY Holding GmbH & Co. KG develops and markets a network of fast-charging stations for electric vehicles in Europe. This is a joint venture of Porsche, Daimler, BMW, Ford and Kia/Hyundai. This resulted in a voting share of the Porsche AG group of 20 per cent (prior year: 20 per cent). The joint venture is included in the consolidated financial statements using the equity method. IONITY Holding GmbH & Co. KG has its headquarters in Munich.

Agreements have been concluded with an external investor to further finance the development of the location. In this regard, the capital of IONITY Holding GmbH & Co. KG is being gradually increased over a period of three years. Porsche Erste Beteiligungsgesellschaft mbH will also contribute €40 million to the capital increase, the same amount as the other previous owners. The financing transaction is subject to approval by the relevant authorities. As soon as approval has been obtained, IONITY Holding GmbH & Co. KG will no longer be classified as joint venture. Porsche AG's voting share will decrease from 20.00 per cent to 15.12 per cent. Significant influence will then be exercised on account of co-determination rights. IONITY Holding GmbH & Co. KG will then be classified as associate and continue to be accounted for at equity.

Summarized financial information relating to associates on a 100 per cent basis:

€ million	Bertrandt[1]
2021	
Shareholding (in %)	**29**
Non-current assets	**610**
Current assets	**476**
Non-current liabilities	**407**
Current liabilities	**155**
Net assets	**524**
Sales revenue	**846**
Profit/loss from continuing operations after tax	**– 16**
Profit/loss from discontinued operations after tax	**–**
Other comprehensive income	**0**
Total comprehensive income	**– 16**
Dividends received	**0**
2020	
Shareholding (in %)	29
Non-current assets	666
Current assets	481
Non-current liabilities	408
Current liabilities	198
Net assets	541
Sales revenue	915
Profit/loss from continuing operations after tax	– 19
Profit/loss from discontinued operations after tax	–
Other comprehensive income	– 1
Total comprehensive income	– 20
Dividends received	5

[1] The disclosures for Bertrandt's statement of financial position relate to the September 30, 2021 reporting date; the income statement disclosures for fiscal year 2021 relate to the period from October 1, 2020 to September 30, 2021, and those for fiscal year 2020 to the period from October 1, 2019 to September 30, 2020.

Reconciliation of the financial information to the carrying amount of the investment:

€ million	Bertrandt
2021	
Net assets as of Jan. 1	**541**
Profit/loss	**– 16**
Other comprehensive income	**0**
Change in reserves	**–**
Dividend	**– 1**
Net assets as of Dec. 31	**524**
Attributable share of net assets	**152**
Consolidation/goodwill/other	**14**
Carrying amount of the investment	**166**
2020	
Net assets as of Jan. 1	577
Profit/loss	– 19
Other comprehensive income	– 1
Change in reserves	–
Dividend	– 16
Net assets as of Dec. 31	541
Attributable share of net assets	157
Consolidation/goodwill/other	– 37
Carrying amount of the investment	120

There are contingent liabilities due to associates of € 121 million.

Summarized financial information relating to joint ventures on a 100 per cent basis:

€ million	IONITY
2021	
Shareholding (in %)	**20**
Non-current assets	**287**
Current assets	**49**
thereof cash, cash equivalents and time deposits	**19**
Non-current liabilities	**16**
thereof financial liabilities	**0**
Current liabilities	**111**
thereof financial liabilities	**–**
Net assets	**209**
Sales revenue	**30**
Amortization and depreciation	**– 26**
Interest income	**–**
Interest expenses	**– 2**
Profit/loss before tax from continuing operations	**– 41**
Income tax expense	**6**
Profit/loss from continuing operations after tax	**– 35**
Profit/loss from discontinued operations after tax	**–**
Other comprehensive income	**–**
Total comprehensive income	**– 35**
Dividends received	**–**
2020	
Shareholding (in %)	20
Non-current assets	244
Current assets	55
thereof cash, cash equivalents and time deposits	17
Non-current liabilities	13
thereof financial liabilities	0
Current liabilities	42
thereof financial liabilities	–
Net assets	244
Sales revenue	7
Amortization and depreciation	– 19
Interest income	–
Interest expenses	– 1
Profit/loss before tax from continuing operations	– 44
Income tax expense	8
Profit/loss from continuing operations after tax	– 37
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 37
Dividends received	–

Reconciliation of the financial information to the carrying amount of the investment:

€ million	IONITY
2021	
Net assets as of Jan. 1	**243**
Profit/loss	**– 35**
Other comprehensive income	**–**
Change in reserves	**–**
Foreign exchange differences	**–**
Dividend	**–**
Net assets as of Dec. 31	**208**
Attributable share of net assets	**42**
Consolidation/goodwill/other	**– 3**
Carrying amount of the investment	**39**
2020	
Net assets as of Jan. 1	205
Profit/loss	– 37
Other comprehensive income	–
Change in reserves	75
Foreign exchange differences	–
Dividend	–
Net assets as of Dec. 31	243
Attributable share of net assets	49
Consolidation/goodwill/other	– 3
Carrying amount of the investment	46

There are no contingent liabilities due to joint ventures.

CONSOLIDATION PRINCIPLES

The financial statements of the subsidiaries are prepared as of the reporting date of the consolidated financial statements, which is the reporting date of the parent company.

Business combinations are accounted for by applying the acquisition method pursuant to IFRS 3 (revised 2008).

BUSINESS COMBINATIONS AND DECONSOLIDATIONS

The cost of a business acquisition is measured in accordance with IFRS 3 as the aggregate of the consideration transferred at fair value as of the acquisition date and the non-controlling interests in the entity. The non-controlling interests can be measured either at fair value or at the proportionate share of the acquiree's identifiable net assets, but excluding goodwill. Acquisition-related costs that are not equity transaction costs are expensed and therefore do not constitute a component of cost. Contingent consideration is measured at its fair value at the date of acquisition. The measurement of contingent consideration at the date of acquisition is not generally adjusted to reflect subsequent changes in value.

When subsidiaries are initially consolidated, the identifiable assets and liabilities acquired are measured at their fair value at the date of acquisition. The amounts recognized are amortized in subsequent periods.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the gain or loss resulting from remeasurement recognized in profit or loss.

Where the cost of a business combination exceeds the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the excess is recognized as goodwill. Goodwill is tested for impairment at least once annually. If the goodwill is impaired, an impairment loss is recognized. If there is no impairment, the amount at which goodwill is recognized remains unchanged from the prior year. Where the cost of a business combination is less than the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the difference is recognized in the income statement after reassessing the fair values.

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized within equity.

The consolidation process involves adjusting the items resulting from the independent accounting and measurement of the individual companies and presenting them as if they were those of a single economic entity. Intragroup assets, liabilities, equity, expenses, income and cash flows are eliminated in full. Group inventories and fixed assets are adjusted for intercompany profits or losses. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes relate to the same tax authority and the same period. In addition, guarantees and warranties assumed by the parent company or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

In the event that control is lost and the parent company continues to hold shares in the previous subsidiary, such shares are measured at fair value on the date of loss of control.

When deconsolidating the previous subsidiary, the difference between the consideration received and the net assets disposed of at the date when control is lost (including any goodwill from acquisition accounting) is recognized in profit or loss. Income and expenses recognized directly in the previous subsidiary's equity for foreign currency effects, securities held for sale, cash flow hedges and equity-accounted investments of the previous subsidiary are derecognized through profit or loss at the date when control is lost. However, any revaluation reserve recognized in accordance with IFRS 3 is not derecognized through profit or loss at that date but transferred to retained earnings within equity.

CURRENCY TRANSLATION

Foreign currency items in the financial statements of the entities included in the consolidated financial statements are measured at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the average rate on the reporting date. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate prevailing on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined. Exchange rate gains and losses as of the reporting date are recorded in profit or loss.

The financial statements of consolidated subsidiaries prepared in a foreign currency are translated into euros in accordance with IAS 21 using the functional currency concept. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

Assets, liabilities and contingent liabilities are translated at the closing rate on the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated using weighted average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly in equity until the disposal of the subsidiary. To the extent the separate item is attributable to the parent company it is reclassified to profit or loss upon disposal.

The following key exchange rates were used for currency translation in the consolidated financial statements:

		Closing rate		Average rate	
		Dec. 31, 2021	**Dec. 31, 2020**	**2021**	**2020**
Australia	AUD	**1.5612**	1.5861	**1.5748**	1.6553
Brazil	BRL	**6.3068**	6.3756	**6.3812**	5.8885
China	CNY	**7.1870**	8.0290	**7.6333**	7.8703
United Kingdom	GBP	**0.8400**	0.8993	**0.8600**	0.8890
Hong Kong	HKD	**8.8278**	9.5167	**9.1980**	8.8518
Japan	JPY	**130.3200**	126.5100	**129.8605**	121.7731
Canada	CAD	**1.4417**	1.5628	**1.4833**	1.5294
Republic of Korea	KRW	**1,344.9650**	1,336.2100	**1,353.9383**	1,345.1409
Russia	RUB	**84.9779**	91.7754	**87.2288**	82.6358
Switzerland	CHF	**1.0332**	1.0811	**1.0815**	1.0703
USA	USD	**1.1320**	1.2276	**1.1834**	1.1413

ACCOUNTING POLICIES

The assets and liabilities of Porsche AG and the consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche AG group. The same accounting policies are used in the case of equity-accounted investments for the purpose of determining the attributable share of the net assets. This is based on the most recent audited annual financial statements of the respective company. The comparative information is based in principle on the same accounting policies applied for the reporting period for fiscal year 2021. Where changes have been made, the effect is explained in the relevant notes.

With the exception of certain items such as financial instruments measured at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared using the historical cost principle. The methods used to measure the individual items are presented in more detail below.

INTANGIBLE ASSETS

Intangible assets not acquired in a business combination are initially recognized at cost in accordance with IAS 38 plus costs directly attributable to the acquisition. The cost of intangible assets acquired as part of a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Purchased intangible assets with a finite useful life are amortized, generally on a straight-line basis, over their useful life, taking any impairments into account. Useful lives range from three to five years. Useful lives, residual values and methods of amortization are reviewed, and adjusted if appropriate, at least at the end of the reporting year. If adjustments are made, these are accounted for as changes in estimates.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are not amortized. Each individual asset or cash-generating unit is tested at least once a year for impairment. If the goodwill is impaired, an impairment loss is recognized. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite life assessment continues to be supportable. If this is no longer the case, the change in the useful life assessment from indefinite to finite is made prospectively.

Development costs are recognized for products provided that expenditures can be clearly allocated and all other recognition criteria of IAS 38 are met. The capitalized development costs include all direct costs and production overheads directly attributable to the development process incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of use (e.g., start of production) using the straight-line method over the expected useful life of the product, taking any impairments into account. Useful lives mainly range from three to nine years. Research and non-capitalizable development costs are expensed as incurred.

The amortization of intangible assets is allocated to the corresponding function.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less depreciation and, if necessary, impairment losses. Investment subsidies are generally deducted from cost. Measurement at cost is performed on the basis of directly attributable costs and overheads. Special equipment is reported under other equipment, furniture and fixtures.

Property, plant and equipment is depreciated pro rata temporis on a straight-line basis over the expected useful life. The useful lives are reviewed regularly and adjusted if necessary.

Depreciation is based on the following useful lives:

	Years
Office and factory buildings	9 to 40
Technical equipment and machinery	7 to 20
Other equipment, furniture and fixtures	3 to 13

Residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

LEASES

The Porsche group recognizes leases pursuant to IFRS 16. This defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Where the Porsche AG group is lessee, it generally recognizes a right-of-use asset and a lease liability in the statement of financial position for all leases. In the Porsche AG group, the lease liability is measured at the present value of the outstanding lease payments, while the right-of-use asset is generally measured in the amount of the lease liability plus initial direct costs.

The right-of-use asset is generally depreciated on a straight-line basis over the lease term. The lease liability is adjusted using the effective interest method and taking the lease payments into account.

The right-of-use assets recognized in the statement of financial position are reported in those items that the assets underlying the lease would be reported in if they were owned by the Porsche AG group. The right-of-use assets were therefore presented under non-current assets as of the reporting date, primarily as property, plant and equipment and taken into account in the impairment testing of property, plant and equipment in accordance with the requirements of IAS 36.

There are practical expedients for short-term leases and leases of low-value assets. The Porsche AG group takes advantage of these and consequently does not recognize right-of-use assets or lease liabilities for such leases. The associated lease payments are recognized directly in profit or loss as an expense. Leases of low-value assets are those where the value of the leased asset does not exceed €5,000 when new. Furthermore, the accounting requirements of IFRS 16 are not applied to leases of intangible assets.

Many leases contain extension and termination options. In determining the lease term, all relevant facts and circumstances are taken into consideration that create an economic incentive to exercise, or not to exercise, the option. Optional periods are taken into account in determining the lease term if it is reasonably certain that the option will be exercised.

LEASED ASSETS

The accounting treatment of leases in which the group is the lessor is based on a classification as operating leases and finance leases. The classification is based on the allocation of the risks and rewards incidental to ownership of the leased asset.

In the case of operating leases, substantially all of the risks and rewards remain with the Porsche AG group. The leased asset is recognized at amortized cost in the fixed assets of the Porsche AG group and the lease payments received in the period are recognized as income in profit or loss.

Vehicles leased out under operating leases are recognized at cost and depreciated on a straight-line basis to their calculated residual value over the term of the lease. Impairment losses are recognized for any impairment in value identified as part of the impairment testing carried out in accordance with IAS 36. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

In the case of finance leases, substantially all of the risks and rewards incidental to ownership are transferred to the lessee. The Porsche AG group derecognizes the leased asset from its fixed assets and instead recognizes a receivable in the amount of its net investment in the lease.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs for qualifying assets are recognized as part of the cost of the asset. A qualifying asset is an asset that necessarily takes one year or more to get ready for its intended use.

EQUITY-ACCOUNTED INVESTMENTS

The cost of equity-accounted investments is adjusted in accordance with the share of the increases and decreases in the net assets of the associates and joint ventures arising after acquisition attributable to the Porsche AG group, including any effects from purchase price allocation. In addition, an impairment test is carried out where there are indications of impairment and, if appropriate, a write-down to the lower recoverable amount is recognized. The recoverable amount is determined using the method presented for impairment testing. If the reason for the write-down no longer exists at a later date, the impairment loss is reversed, but only to the extent that the resulting carrying amount of the asset does not exceed the amount that would have applied if the write-down had not been recognized. The calculation of the value in use for the purposes of the impairment test is based on a cost of capital of 7.6 per cent (prior year: 5.7 per cent).

IMPAIRMENT TESTING

At the end of each reporting period, the group assesses whether there is any indication of impairment. An impairment test is performed at least once a year for goodwill, capitalized costs for intangible assets (in particular, where development costs are recognized for products under development) and intangible assets with an indefinite useful life. For intangible assets with finite useful lives, property, plant and equipment as well as leased assets an impairment test is performed only when there is an indication that the asset may be impaired.

The recoverable amount is determined in the course of impairment testing and is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

To determine whether goodwill is impaired, the fully consolidated entities concerned are used as a cash-generating unit. For other intangible assets as well as for property, plant and equipment, the Porsche brand generally constitutes the cash-generating unit in the automotive division, i.e., excluding the financial services division. As such, it forms the basis for impairment testing and the economic assessment carried out on recognition of internally generated intangible assets. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference.

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. Value in use is determined using the discounted cash flow method or capitalized earnings method on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal.

To determine whether goodwill or other intangible assets and items of property, plant and equipment are impaired, the group uses the value in use.

Value in use for other intangible assets and items of property, plant and equipment is determined based on a current forecast prepared by management including material assumptions about growth and the volume of unit sales. The planning period generally extends over five years. The Volkswagen group's planning is based on the assumption that global economic output will continue to grow at a somewhat lower level overall in 2022, on the heels of the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense. Global economic growth is also expected to continue for the years 2023 to 2026. Plausible assumptions about future developments are made for subsequent years. The planning assumptions are adjusted to reflect the current information available.

The recoverable amount of goodwill and other intangible assets is determined based on current planning as well as reasonable assumptions about macroeconomic trends (currency, interest rate and commodity price trends) as well as historical developments. When determining the cash flows, an anticipated growth rate of 1.0 per cent is used as a basis. The growth rate is based on the circumstances specific to the industry and takes into account the specific price and cost situation.

In the case of assets that are not yet available for use, impairment testing is carried out upon initial recognition and subsequently once per year on the basis of the current business plan. Assets already in use are only tested for impairment if there is a triggering event. When determining the value in use for the impairment test of goodwill, other intangible assets and property, plant and equipment, a market-oriented discount rate for similar risks is used (if the capitalized earnings method is used, a post-tax cost of equity of 8.4 per cent is applied for immaterial goodwill (prior year: 8.1 per cent)) and a weighted average cost of capital (WACC) of 4.8 per cent (prior year: 5.3 per cent) is used for other intangible assets and property, plant and equipment if the discounted cash flow method is used. The determination of the cost of capital rates is based on a rate of interest for risk-free investments. Furthermore, in addition to a market risk premium, specific peer group information is taken into account for beta factors, leverage ratio and borrowing rate. The composition of the peer groups used to determine beta factors is reviewed on an ongoing basis and modified when necessary. Even if no growth were assumed for the purposes of the perpetual annuity or if the sales volume on which the perpetual annuity is based were reduced by 10 per cent, that would not result in an impairment of the goodwill and of the other intangible assets or property, plant and equipment.

Any impairment of leased assets from vehicle leasing contracts, determined by impairment testing in accordance with IAS 36, is reflected in impairment losses and adjusted rates of depreciation. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

The functions recognize an impairment loss in the income statement in the item "amortization of intangible assets and depreciation of property, plant and equipment and leased assets" if the recoverable amount of the asset is lower than its carrying amount.

A review of whether the reasons for a previously recognized impairment loss still exist is carried out on an annual basis. If the reasons for impairment losses recognized in prior years no longer exist, they are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot result in a carrying amount that exceeds the amount that would have been determined as the carrying amount, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

INVENTORIES

Inventories include commodities, consumables and supplies, as well as work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value as of the reporting date.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to directly attributable costs, the costs of conversion of the internally produced goods include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs. Borrowing costs are not capitalized.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated distribution expenses.

If the carrying amounts are no longer realizable due to a decrease in prices in the sales market, inventories are written down accordingly.

Inventories of a similar nature are generally measured using the weighted average cost method.

LONG-TERM CONSTRUCTION CONTRACTS

For contracts under which performance is satisfied over time, revenue is recognized in accordance with the stage of completion. The stage of completion is determined as the proportion that contract costs incurred by the end of the reporting period bear to the total costs expected (cost-to-cost method). Contract costs incurred are often the best way to measure the stage of completion of the performance obligation. If the outcome of a performance obligation satisfied over time is not yet sufficiently certain, but the company expects to at least have its costs refunded by the customer, revenue is recognized only to the extent of contract costs incurred (zero profit method).

If the expected costs exceed the expected revenue, the expected losses are immediately expensed in full by recognizing an impairment loss on the associated assets and, if necessary, additionally recognizing provisions. As long-term construction contracts regularly involve contingent receivables due from the customer until they are completed or the customer pays, corresponding contract assets are recognized. As soon as the company's performance is complete, a trade receivable is recognized. Any negative balance is reported under other payables. The principle of measuring assets at the lower of carrying amount and net realizable value is observed.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset at one entity and a financial liability or equity instrument at another entity. Regular way purchases or sales of financial instruments are accounted for at the settlement date, i.e., the date on which the asset is delivered.

Financial assets are classified and measured on the basis of the entity's business model and the characteristics of the financial asset's cash flows.

Under IFRS 9, financial assets are allocated to the following categories:

- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income (debt instruments),
- financial assets measured at fair value through other comprehensive income (equity instruments), and
- financial assets measured at amortized cost.

Financial liabilities are allocated to the following categories:

- financial liabilities measured at fair value through profit or loss, and
- financial liabilities measured at amortized cost.

In the Porsche AG group, the categories presented above are allocated to the "at amortized cost" and "at fair value" classes.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

"Financial assets measured at amortized cost" are held under a business model whose objective is to collect contractual cash flows ("hold" business model). These assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The amortized cost of a financial asset or liability is the amount:

- at which the financial asset or liability is measured at initial recognition,
- less any repayments of principal,
- taking into account any loss allowances, write-downs for impairment or uncollectability relating to financial assets, and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity (premium, discount), amortized using the effective interest method over the term of the financial asset or liability.

Financial liabilities measured at amortized cost using the effective interest method relate to liabilities to banks, bonds, commercial papers and notes, loans and other liabilities. Gains or losses resulting from changes in amortized cost, including the effects of changes in exchange rates, are recognized through profit or loss. For reasons of materiality, discounting or unwinding of discounts is not applied to current liabilities (due within one year).

Financial assets and liabilities measured at amortized cost are

- receivables from the financial services business,
- trade receivables and payables,
- other receivables and financial assets and liabilities,
- financial liabilities,
- cash, cash equivalents and time deposits.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Changes in the carrying amount of "financial assets measured at fair value" are recognized either in OCI or through profit or loss.

Financial assets that are equity instruments are measured at fair value. Here the Porsche AG group primarily exercises the option to present subsequent fair value changes in other comprehensive income, i.e., gains and losses from the measurement of equity investments are never reclassified to the income statement and instead are reclassified to retained earnings on disposal (no recycling). The only exceptions are interests in companies that are not material to the consolidated financial statements and in those that do not conduct business operations. Reasonable fair values that are free from major fluctuations cannot reliably be ascertained for such interests without undue cost or effort. They are measured at cost. If there are indications of impairment, they are remeasured at the lower present value of the estimated future cash flows.

All financial assets not measured either "at amortized cost" or "at fair value through other comprehensive income" are allocated to the "at fair value through profit or loss" category. "Financial assets measured at fair value through profit or loss" are held in particular to generate cash flows by selling financial instruments ("sell" business model).

In the Porsche AG group, this category mainly comprises

- hedges not included in hedge accounting,
- investment fund units.

"Financial liabilities measured at fair value through profit or loss" relate solely to derivatives not included in hedge accounting.

Fair value generally corresponds to the market or quoted value (level 1). If no active market exists, the fair value is determined where possible using other observable inputs (level 2). If no observable inputs are available, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models and – as far as possible – is verified by confirmations from the banks that settle the transactions (level 3).

For current receivables and payables, amortized cost generally corresponds to the nominal amount or repayment amount.

The Porsche AG group does not exercise the fair value option for financial assets and liabilities.

Financial assets and financial liabilities are generally presented at their gross amounts. They are only offset if the Porsche AG group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis.

Subsidiaries, associates and joint ventures that for reasons of materiality are not consolidated do not fall within the scope of IFRS 9 and IFRS 7.

DERIVATIVES AND HEDGE ACCOUNTING

Porsche AG group companies use derivatives to hedge future cash flows (hedged items). Appropriate derivatives such as swaps, forward transactions and options are used as hedging instruments. The criteria for applying hedge accounting are that the clear hedging relationship between the hedged item and the hedging instrument is documented and that the hedge is proven to be effective.

When hedging future cash flows, the hedging instrument is measured at fair value. The designated effective portion of the hedging instrument is recognized in OCI I and the non-designated effective portion of the hedging instrument in OCI II. They are only recognized in profit or loss when the hedged item is recognized. The ineffective portion of a cash flow hedge is immediately recognized in profit or loss.

Those derivatives that the Porsche AG group uses for financial management purposes to hedge against interest rate or currency risks that do not meet the strict hedge accounting criteria of IFRS 9 are classified as "financial assets and liabilities at fair value through profit or loss". This also applies to options on shares. As a general rule, external hedging instruments of intragroup hedged items that are subsequently eliminated in the consolidated financial statements are likewise assigned to this category. "Assets and liabilities measured at fair value through profit or loss" comprise derivatives or components of derivatives that are not included in hedge accounting. For example, these relate to non-designated interest rate hedges.

RECEIVABLES FROM FINANCE LEASES

Where a group company is a lessor – generally of vehicles – a receivable in the amount of the net investment in the lease is recognized in the case of finance leases, i.e., where substantially all the risks and rewards incidental to ownership are transferred to the lessee.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

Financial assets are exposed to default risk, which is taken into account by recognizing loss allowances or, if losses have already been incurred, by recognizing impairment losses. Specific and portfolio-based loss allowances are recognized for the risk of default inherent in receivables and loans in the financial services business.

In particular, in accordance with group-wide standards, a loss allowance is recognized on these financial assets in the amount of the expected loss. The actual specific loss allowances for the losses incurred are then recognized in this loss allowance. A potential impairment is assumed not only for delayed payments of more than 90 days, the institution of enforcement measures, the threat of insolvency or over-indebtedness, application for or the opening of insolvency proceedings or the failure of financial reorganization measures, but also for receivables that are not past due.

Portfolio-based loss allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk characteristics and allocating them by risk class. Average historical probabilities of default are used in combination with forward-looking parameters for the respective portfolio to calculate the amount of the impairment loss.

Credit risks must be considered for all financial assets measured at amortized cost, as well as for contract assets under IFRS 15 and lease receivables under IFRS 16. The impairment requirements also apply to risks arising from irrevocable credit commitments and to the measurement of financial guarantees.

Impairment losses on receivables outside of the financial services division are generally accounted for by means of a simplified process that takes historical default rates into account, and by means of specific loss allowances.

DEFERRED TAXES

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated statement of financial position as well as on unused tax loss carryforwards and tax credits if it is probable that they will be used. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and the carrying amounts in the consolidated statement of financial position (temporary concept).

The amounts recognized reflect the anticipated tax expense or credit in subsequent fiscal years based on the tax rate expected to apply at the date of realization. The tax consequences of profit distributions are not generally taken into consideration until the resolution on appropriation of net profit has been adopted.

Deferred taxes relating to items recognized directly in equity are also recorded in equity.

Valuation allowances are recognized on deferred tax assets that are unlikely to be realized in a reasonable period of time.

The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income over a planning horizon of five fiscal years. A previously unrecognized deferred tax asset is reassessed on an annual basis and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities for taxable temporary differences associated with equity investments in subsidiaries are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the taxes are levied by the same taxation authority, relate to the same taxation period, and there is a legally enforceable right to set off the recognized amounts.

CURRENT TAXES

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. Tax items are calculated on the basis of the tax rates and tax laws in force as of the reporting date. Provisions are recognized for potential obligations in respect of tax assessments that have not yet been finally reviewed by the tax authorities. Any identified tax uncertainty is measured on the basis of the most likely value to be recognized to reflect the risk, should it materialize.

Current taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

SHARE-BASED PAYMENT

Share-based payment comprises cash-settled variable payment plans. Thus, the obligations are accounted for as cash-settled plans pursuant to IFRS 2. For these share-based payments, the obligations are measured at fair value during the term using a recognized option pricing model. The total payment expense to be recognized corresponds to the actual payment and is distributed over the vesting period.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

In accordance with IAS 19 (Employee Benefits), the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method takes into account not only the pension payments and the future claims known on the reporting date but also future anticipated increases in salaries and pensions, as well as expected staff turnover based on past experience.

If pension obligations are funded by plan assets, the obligations and the assets are offset.

Remeasurements from pension plans are recognized through other comprehensive income in retained earnings taking deferred taxes into account. The service cost is reported in personnel expenses, while the net interest expense/income from unwinding the discount on the provision as well as from the return on plan assets is recognized in interest expenses.

The calculation is based on actuarial opinions taking into account biometric assumptions. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds on the reporting date.

OTHER PROVISIONS

Under IAS 37, provisions are recognized if a present obligation toward a third party as a result of a past event exists which will probably result in a future outflow of resources embodying economic benefits, and whose amount can be reliably estimated.

Provisions are generally measured at the expected settlement amount taking into account all identifiable risks. The settlement amount is calculated on the basis of the best possible estimate. The settlement amount also includes the expected cost increases. Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern and constructive warranties. Non-current provisions are stated at their settlement amount discounted to the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of when the outflow of resources is due. In the eurozone, an average rate of -0.04 per cent (prior year: -0.23 per cent) was used. The interest expense resulting from unwinding the discount is presented in interest expenses.

Provisions are not offset against reimbursement claims from third parties. Reimbursement claims are recognized separately in other assets if it is virtually certain that the group will receive the reimbursement when it settles the obligation.

Accruals are not presented as provisions, but under trade payables or other liabilities, based on their nature.

As part of the insurance business, the reinsured used vehicle warranty insurance contracts are accounted for pursuant to the provisions of IFRS 4. Reinsurance acceptances are recognized without delay in the year in which they arise. Provisions are recognized in principle in accordance with the contractual responsibilities of the cedants.

Provisions for claims are determined using estimation techniques based on assumptions about the further development of claims. Claims are generally settled within a period of three months.

LIABILITIES

Non-current liabilities are carried at amortized cost in the statement of financial position. Differences between their historical cost and their repayment amount are accounted for using the effective interest method.

Liabilities to shareholders from puttable shares are recognized in the income statement at the present value of the redemption amount on the reporting date.

Lease liabilities are carried at the present value of the lease payments.

Current liabilities are recognized at their repayment or settlement value.

REVENUE AND EXPENSES

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from the sale of products is generally not recognized until the point in time when the service is provided or the significant opportunities and risks associated with ownership of the goods and products being sold are transferred to the buyer. Revenue is reported net of discounts, customer bonuses and rebates.

Sales allowances and other variable consideration is measured on the basis of experience and by taking into account the respective current circumstances. Vehicles are normally sold on payment terms. A trade receivable is recognized for the period between vehicle delivery and receipt of payment. Financing components included therein are only accrued if the period between the transfer of the goods and the payment of consideration is longer than one year and the amount to be accrued is material.

Revenue from receivables from financial services is recognized using the effective interest method. Income from operating leases is recorded on a straight-line basis over the term of the agreement.

Revenue from long-term construction contracts is recognized in accordance with the percentage of completion method.

If a contract comprises several separately identifiable components (multiple-element arrangements), these components are recognized separately in accordance with the principles outlined above. If services are sold to the customer together with the vehicle and the customer pays for them in advance, the group recognizes a corresponding contract liability until the services have been rendered. Examples of services that customers pay for in advance include servicing, maintenance and certain guarantee contracts, as well as mobile online services.

Sales revenue from extended warranties or maintenance agreements is recognized when deliveries take place or services are rendered. In the case of prepayments, deferred income is recognized proportionately by reference to the costs expected to be incurred, based on experience. Revenue is recognized on a straight-line basis if there is insufficient experience. If the expected costs exceed the accrued sales revenue, a loss is recognized from these agreements.

For extended warranties granted to customers for a specific model, a provision is generally recognized in the same way as for statutory warranties. If the warranty is optional for the customer or contains an additional service component, the related revenue is deferred and recognized over the warranty term.

Income from assets for which a group entity has a buy-back obligation is not recognized until the assets have finally left the group. If a fixed repurchase price was agreed when the contract was concluded, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Until the end of the contract term, the assets are reported in inventories in case of current contract end dates and in leased assets in the case of non-current contract end dates.

Sales revenue is generally measured at the price determined in the contract. If variable consideration (e.g., volume-based bonuses) has been agreed in a contract, the large number of contracts means that revenue is generally estimated using the expected value method. The most probable amount method may also be used in exceptional cases. Once the expected sales revenue has been estimated, an additional check is performed to determine whether there are uncertainties that make it necessary to reduce the revenue initially recognized in order to effectively rule out the risk of subsequently adjusting that revenue downwards. Provisions for reimbursements mainly result from dealer bonuses. In the case of multiple-element arrangements, the transaction price is allocated to the various performance obligations under the contract on the basis of the relative stand-alone selling prices. For reasons of materiality, the Porsche AG group generally recognizes non-vehicle-related services at their stand-alone selling price.

Revenue is generally recorded separately for each business transaction. If two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the criteria for revenue recognition are applied to these transactions as a whole. If, for example, loan or lease agreements in the financial services division are entered into at below market interest rates to promote sales of new vehicles, revenue is reduced by the incentive arising from the agreement.

In the case of financial instruments measured at amortized cost, interest income and expenses are determined using the effective interest rate.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for development costs not eligible for recognition as part of the cost of an asset.

Provisions for warranty claims are recognized upon sale of the related products.

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the cost of additions to warranty provisions. Research and development costs not eligible for capitalization and amortization of development costs are likewise carried under cost of sales. Interest and commission expenses incurred in connection with the financial services business are also reported in cost of sales.

Dividend income is recognized when the group's right to receive the payment is established.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. A contingent liability may also be a present obligation that arises from past events but is not recognized because an outflow of resources is improbable or the amount of the obligation cannot be measured with sufficient reliability.

GOVERNMENT GRANTS

Government grants for assets are deducted from the carrying amount of the asset when it is determined and recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. Government grants that compensate group companies for expenses incurred are generally recognized in profit or loss in the period and in the items where the expenses to be compensated were incurred.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements to a certain extent requires assumptions and estimates that have an effect on the recognition, measurement and presentation of the assets, liabilities, income and expenses as well as contingent assets and liabilities. These assumptions, judgments and estimates reflect all the information currently available. The assumptions and estimates relate to the following principal matters:

The estimation and determination of uniform group useful lives and depreciation methods for fixed assets subject to wear and tear (carrying amount of franchises, industrial rights and other intangible assets on December 31, 2021: €880 million (prior year: €757 million); carrying amount of capitalized development costs for products in use as of December 31, 2021: €2,822 million (prior year: €3,196 million), carrying amount of property, plant and equipment subject to wear and tear excluding factory and office buildings on December 31, 2021: €3,217 million (prior year: €3,534 million)) are based on past experience and are regularly reviewed. A change in estimates results in an adjustment to the residual useful life and, if appropriate, an impairment loss. The lease term is determined in accordance with IFRS 16 based on the non-cancellable period of the lease and an assessment of whether existing options to extend or terminate the lease will be exercised. The defined term and the discount rate used affect the amount of the right-of-use assets (carrying amount of right-of-use assets as of December 31, 2021: €1,028 million (prior year: €940 million) and the lease liabilities (carrying amount of lease liabilities as of December 31, 2021: €1,063 million (prior year: €964 million)).

Determining the timing for the capitalization of development costs (carrying amount of the capitalized development costs as of December 31, 2021: €5,301 million (prior year: €4,671 million)) requires assumptions and estimates of probabilities, particularly with respect to the technical feasibility of the development work and the availability of adequate technical, financial and other resources such that the development can be completed and the development work can be used or sold.

Testing the non-financial assets for impairment (particularly capitalized development costs, financial assets accounted for at equity and at cost as well as measuring shares not traded in an active market and options on such (carrying amount of equity-accounted investments and other investments as of December 31, 2021: €886 million (prior year: €384 million)) requires assumptions with respect to the future cash flows in the planning period and also, if applicable, the discount rate used. The estimates required to be made for the purpose of deriving the cash flows relate mainly to future market shares, growth in the respective markets and the profitability of the products of the Porsche AG group.

The impairment testing of property, plant and equipment (carrying amount of property, plant and equipment as of December 31, 2021: €8,763 million (prior year: €8,695 million)) and leased assets (carrying amount of leased assets as of December 31, 2021: €3,954 million (prior year: €3,614 million)) is principally concerned with identifying indications that property, plant and equipment and leased assets may be impaired, which requires judgments to be made. The recoverability of the leased assets of the Porsche AG group additionally depends in particular on the estimate of the residual value of the leased vehicles after the end of the lease term as this constitutes a significant portion of the expected cash inflows (please refer to the section on impairments of leased assets in note **[15]**). For more information on impairment testing and on the measurement parameters used please refer to the explanations on impairment testing above.

In the absence of observable market values, the determination of the fair value of assets and liabilities acquired in a business combination is based on recognized valuation techniques such as the license price analogy method or the residual value method.

The designation of hedging instruments for hedge accounting requires in particular assumptions and estimates with respect to the underlying probabilities that revenue will be generated in the future from hedged currencies and with respect to the interest rates and the course of financing. The carrying amounts concerned are presented in the statement of changes in equity.

Testing financial assets for impairment requires estimates concerning the amount and probability of occurrence of future events. As far as possible, the estimates are arrived at on the basis of current market data as well as rating categories and scoring information based on experience. Further details on calculating loss allowances can be found in note **[35]** "Financial risk management and financial instruments".

The accounting treatment and measurement of provisions (carrying amount of provisions as of December 31, 2021: €9,024 million (prior year: €8,832 million)) is also based on the estimate of the amount and probability of occurrence of future events as well as the estimate of the discount rate. Experience or external appraisals are also drawn upon where possible. The measurement of provisions for pensions (carrying amount of provisions for pensions and similar obligations on December 31, 2021: €5,525 million (prior year: €5,932 million)) is additionally dependent on the estimated development of the plan assets. The assumptions underlying the calculation of provisions for pensions and similar obligations are presented in note **[25]**. Actuarial gains and losses from changes in measurement parameters are recorded directly in equity and have no effect on the result presented in the income statement. Changes in estimates relating to the amount of other provisions (carrying amount of other provisions as of December 31, 2021: €3,373 million (prior year: €2,788 million)) are always recorded in profit or loss. Provisions are regularly adjusted to take account of new information. Due to the use of expected values, it is often the case that unutilized provisions are reversed or that subsequent additions are made to provisions. Similarly to the expenses for recognizing new provisions, income from the reversal of provisions is largely allocated to the respective functions. Warranty claims from the vehicle sales business are determined taking account of past or estimated future losses and constructive warranties. This requires assumptions to be made about the nature and extent of future cases relating to guarantee, warranty and goodwill payments. For the provisions recognized, assumptions were made in particular in relation to working hours, material costs and hourly wage rates depending on the series, model year and country concerned. These assumptions are based on qualified estimates. The estimates rely on external data, taking into account additional information available internally such as experience relating to the parameters mentioned.

For an overview of other provisions and provisions for warranty obligations see note **[26]** and for litigation see also note **[38]**.

Tax provisions were recognized for potential future payments of tax arrears while other provisions were recognized for ancillary tax payments arising in this connection.

Porsche AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Changes in tax legislation and court rulings and their interpretation by tax authorities in the respective countries may result in tax payments that differ from the estimates made in the financial statements.

Tax provisions are measured on the basis of the most likely value at which the risk will materialize. If there are multiple tax uncertainties, Porsche decides whether to account for them individually or in groups depending on which type of presentation is better suited to predicting the extent to which the tax risk will materialize. In the case of contracts for the cross-border provision of intragroup goods and services in particular, the pricing of individual products and services is complex. This is because in many cases there are no observable market prices for internally generated products, or because the use of market prices for similar products is subject to uncertainties as they are not comparable. In these cases (including for tax purposes), the prices are determined using uniform, generally accepted valuation techniques.

Deviations from the assumptions made in the estimation process may cause differences to arise compared to the original estimates.

Determining deferred tax assets (carrying amount of deferred tax assets as of December 31, 2021: €867 million (prior year: €817 million)) requires assumptions to be made concerning future taxable profit and the timing of the realization of the deferred tax assets. Income tax items included in the statement of financial position whose amount is uncertain are based on the best estimate of the expected tax payment.

The recognition of government grants is based on an assessment as to whether there is reasonable assurance that the group companies will fulfill the conditions attached the grant and they will in fact be awarded. This estimate is based on the type of legal right as well as past experience.

The assumptions and estimates are based on premises that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions deemed realistic as to the expected future development of the global and industry environment were used to estimate the company's future business performance. Since the future development of business is subject to uncertainty that cannot be fully controlled by the Porsche AG group, our assumptions and estimates continue to be subject to a high level of uncertainty. This applies in particular to short- and medium-term forecast cash flows, the discount rates used and forecast residual values.

Factors that may cause variances from the assumptions and estimates include new information about the buying behavior in the sales markets and in response to this changes in planning, dependency on suppliers, in particular exclusive suppliers, developments in exchange rates, interest rates and the prices of commodities as well as environmental or other legal provisions. Where the development of these circumstances differs from the assumptions and lies outside the control of management, the actual figures may differ from those originally expected. In such cases, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

The global economy recovered in 2021 due to the temporary relaxation of many restrictions and recorded positive growth of 5.6 per cent (prior year: negative growth of 3.4 per cent).
The Porsche AG group's planning is based on the assumption that global economic output will continue to grow at a somewhat lower level overall in 2022, on the heels of the recovery observed in the past fiscal year – provided that the Covid19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense.

Prior to the date of authorization for issue of the financial statements by the Executive Board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated statement of financial position would require any significant adjustment in the following reporting period.

Management's judgments and estimates were based in particular on assumptions about the general development of the economy, the development of automotive markets (such as technological developments), the legal environment as well as estimates of future losses and constructive warranties.

NEW ACCOUNTING STANDARDS

Porsche AG and its subsidiaries have applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2) have been mandatory since January 1, 2021. The Phase 2 amendments address the accounting treatment when a reference interest rate is effectively replaced by another reference interest rate. The amendments introduce practical expedients with regard to modifications of financial assets, financial liabilities and lease liabilities as well as hedges. Modifications of contractual cash flows by means of an economically equivalent replacements of the previous reference interest rate as a direct consequence of reforming the reference interest rates are accounted for by adjusting the effective interest rate without any direct modification gains or losses. Changes to IFRS 16 have introduced a similar practical expedient for the accounting treatment of lease liabilities. Furthermore, pursuant to the amendments to the standard, a hedging relationship is not to be reversed as a result of an economically equivalent change to a new reference interest rate, but instead remains in place with appropriately adjusted documentation provided the hedging relationship fulfills the other hedge accounting requirements.

The Porsche AG group is affected by the Interest Rate Benchmark Reform due to its use of IBORs for variable interest rates. Appropriate risk management strategies and processes have been implemented to avoid significant risks resulting from the replacement of existing reference interest rates with alternative ones (basis spread risk, liquidity risk, legal risk, operating risk). The Porsche AG group has closely observed the markets and the findings of the various industry work groups managing the transition to the new reference interest rates. This includes announcements made by the responsible regulatory authorities.

Regarding the financial instruments that use the reference interest rates being replaced, the Porsche AG group aims to ensure that the mandatory transition to these new interest rates is completed before their official replacement dates, for example by adjusting legacy trades to the new reference interest rates in good time (active approach), thus avoid having to resort to fallback mechanisms based either on the ISDA 2020 IBOR fallback protocol of the International Swaps and Derivatives Association (ISDA) or on corresponding bilateral agreements with the counterparties of the Volkswagen group (passive approach). With regard to new trades that use the reference interest rates being replaced, corresponding fallback mechanisms have been integrated into the relevant framework agreements with external counterparties using the ISDA 2020 IBOR fallback supplement to the 2006 ISDA definitions, the 2021 ISDA interest rate derivatives definitions and/or the 2018 ISDA benchmark supplement.

The body of financial instruments still affected by a transition to new reference interest rates as of the reporting date consist of derivative and non-derivative financial assets and liabilities. In the Porsche AG group, these are exclusively allocated to the USD LIBOR. The carrying amount of the non-derivative financial assets is €0 million and the carrying amount of the non-derivative financial liabilities is €4,716 million. The hedging instruments in USD LIBOR have a nominal volume of €3,950 million. In our opinion, the EURIBOR is not affected by a replacement and, accordingly, such financial instruments are not included in the disclosure.

The above amendments do not materially affect the Porsche AG group's net assets, financial position and results of operations.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT APPLIED

In its 2021 consolidated financial statements, Porsche AG did not apply the following accounting standards that have been issued by the IASB as of December 31 but for which application was not yet mandatory for the fiscal year.

Standard/Interpretation		Published by the IASB	Mandatory application[1]	Accepted by EU	Expected effect
IFRS 3	Updating references to the conceptual framework	May 14, 2020	January 1, 2022	Yes	No material effects
IFRS 17	Insurance contracts	May 18, 2017	January 1, 2023[2]	Yes[2]	No material effects
IFRS 17	Insurance contracts – Amendments to IFRS 17	June 25, 2020	January 1, 2023	Yes[2]	No material effects
IAS 1	Classification of liabilities	January 23, 2020	January 1, 2023	No	No material effects
IAS 1	Disclosure of accounting policies	February 12, 2021	January 1, 2023	No	No material effects
IAS 8	Definition of accounting estimates	February 12, 2021	January 1, 2023	No	No material effects
IAS 12	Deferred tax on leases as well as decommissioning obligations	May 7, 2021	January 1, 2023	No	No material effects
IAS 16	Property, plant and equipment: Proceeds before intended use	May 14, 2020	January 1, 2022	Yes	No material effects
IAS 37	Provisions: Onerous contracts – costs of fulfilling a contract	May 14, 2020	January 1, 2022	Yes	No material effects
	Improvement to International Financial Reporting Standards 2020[3]	May 14, 2020	January 1, 2022	Yes	No material effects

1) Mandatory first-time application from the point of view of Porsche AG and its subsidiaries on the basis of the IFRS effective date, subject to adoption by the EU if the EU endorsement process has yet to be completed.

2) The EU endorsement contains an exception optionally exempting companies from applying a valuation method in certain cases.

3) Minor amendments to various IFRSs (IFRS 1, IFRS 9 and IAS 41)

Voluntary early adoption of the changes before they become mandatory under the transitional provisions of the IASB is not planned.

Notes to the consolidated income statement

The consolidated income statement has been prepared using the function of expense method.

[1] SALES REVENUE

Sales revenue breaks down by type of product as follows:

€ million	2021	2020
Type of product		
Vehicles	**25,412**	21,584
Genuine parts	**1,533**	1,534
Used vehicles and third-party products[1)]	**2,694**	2,372
Rental and leasing business[1)]	**1,225**	1,173
Interest and similar income from financial services business	**242**	208
Hedges sales revenue	**– 300**	– 285
Other revenue	**2,332**	2,109
	33,138	**28,695**

[1)] In fiscal year 2021, all sales of used vehicles recognized under "Rental and leasing business" in the prior year have been allocated to the line item "Used vehicles and third-party products". The prior-year figures were adjusted to reflect this change.

Other revenue contains insurance premiums from warranty insurance for used vehicles of €82 million (prior year: €85 million). Otherwise, other revenue mainly contains income from mobile services, consulting, development services and workshop services.

Of the sales revenue recognized in the reporting period, €660 million (prior year: €456 million) was included in contract liabilities as of January 1, 2021. In addition to existing performance obligations from long-term construction contracts, most of which are expected to be satisfied and the revenue recognized by December 31, 2022, by far the majority of performance obligations not yet satisfied as of the reporting date relate to vehicle deliveries. Most of these deliveries had already been made as of the date this report was prepared, or will be made in Q1 2022.

The vast majority of the sales revenue expected from orders as of the reporting date relate to vehicle sales. The resulting sales revenue will be recognized in the short term. The services included in these vehicle sales that do not lead to sales revenue until subsequent years make up only an insignificant portion of expected sales revenue. Use is therefore made of the practical expedient pursuant to IFRS 15, according to which a quantified order backlog as of the reporting date is not disclosed on account of the short-term nature and lack of informative value.

[2] COST OF SALES

The cost of sales amounted to €24,281 million (prior year (adjusted): €21,155 million) and mainly comprise production materials, personnel expenses, non-staff overheads and depreciation and amortization.

Cost of sales also contains interest expenses attributable to the financial services business amounting to €60 million (prior year: €88 million), impairment losses on leased assets amounting to €130 million (prior year: €127 million) and expenses for indemnification payments from warranty insurance for used vehicles amounting to €58 million (prior year: €64 million).

[3] DISTRIBUTION EXPENSES

Distribution expenses of €2,111 million (prior year: €1,881 million) include non-staff overheads and personnel expenses, depreciation and amortization charged in the distribution function as well as shipping, advertising and sales promotion costs incurred.

[4] ADMINISTRATIVE EXPENSES

Administrative expenses of €1,426 million (prior year (adjusted): €1,255 million) mainly contain non-staff overheads and personnel expenses as well as depreciation and amortization charged in the administrative function.

[5] OTHER OPERATING INCOME

Other operating income breaks down as follows:

€ million	2021	2020
Income from reversal of valuation allowances on receivables and other assets	**31**	28
Income from reversal of provisions and accruals	**123**	64
Income from foreign currency hedging derivatives within hedge accounting	**34**	159
Income from other hedges	**13**	44
Income from foreign exchange gains	**282**	184
Income from cost allocations	**237**	174
Gains on asset disposals and the reversal of impairment losses	**52**	25
Other rental income	**48**	45
Recourse income (special factor diesel issue)	**30**	–
Miscellaneous other operating income	**229**	230
	1,079	**953**

Income from foreign exchange gains mainly comprises exchange rate gains between the date of origin and the date of payment of foreign exchange receivables and liabilities as well as foreign exchange gains from measurement as of the reporting date. Resulting exchange rate losses are included in other operating expenses.
Miscellaneous other operating income mainly consists of government grants and other recourse income.

[6] OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

€ million	2021	2020
Valuation allowances on trade receivables	**10**	17
Valuation allowances on other receivables and other assets[1)]	**47**	58
Losses from foreign currency hedging derivatives within hedge accounting	**218**	128
Expenses from other hedges	**12**	52
Foreign exchange losses	**85**	281
Losses on disposal of non-current assets	**42**	55
Financial share of company pension scheme	**293**	283
Miscellaneous other operating expenses[1)]	**378**	306
	1,085	**1,180**

[1)] The prior-year figures were adjusted.

The valuation allowances on other receivables and other assets include €0 million (prior year: €0 million) in valuation allowances on receivables under long-term construction contracts.
Expenses from foreign exchange gains/losses mainly contain exchange rate losses between the date of origin and the date of payment of foreign exchange receivables and liabilities. Exchange rate gains are included in other operating income.
Miscellaneous other operating expenses consist principally of other expenses for litigation costs and legal risks.

[7] SHARE OF PROFITS AND LOSSES OF EQUITY-ACCOUNTED INVESTMENTS

The share of profits and losses of equity-accounted investments amounted to negative €22 million (prior year: negative €10 million). Of the total amount, negative €15 million (prior year: negative €5 million) relates to associates and negative €7 million (prior year: negative €5 million) to joint ventures.

[8] INTEREST RESULT

€ million	2021	2020
Interest income	**421**	**406**
Other interest and similar income	**421**	406
Interest expenses	**– 113**	**– 129**
Other interest and similar expenses	**– 45**	– 38
Interest cost included in lease payments	**– 24**	– 29
Interest result on other liabilities	**4**	– 2
Net interest on the net defined benefit liability	**– 48**	– 60
Interest result	**308**	**277**

[9] OTHER FINANCIAL RESULT

€ million	2021	2020
Cost of loss absorption	**0**	0
Other income from equity investments	**96**	1
Other expenses from equity investments	**– 8**	– 125
Income and expenses from securities and loans	**17**	– 17
Gains and losses from remeasurement and impairment of financial instruments	**– 119**	130
Gains and losses from fair value changes of derivatives not included in hedge accounting	**143**	– 36
Other financial result	**129**	**– 47**

Other income from equity investments contains a reversal of an impairment loss on the investment in Bertrandt AG accounted for using the equity method of €51 million (prior year: €0 million) as well as changes in value of other equity investments measured at fair value of €42 million (prior year: €0 million). In the prior year, other expenses from equity investments included an impairment of €115 million on the equity-accounted investment in Bertrandt AG.

[10] INCOME TAX

Income tax comprises the tax expense incurred on account of the consolidated tax group of Porsche Holding Stuttgart GmbH, Stuttgart, taxes currently owed by the companies comprising the consolidated tax group and taxes owed by the consolidated subsidiaries, as well as deferred taxes.

The income tax expense disclosed breaks down as follows:

€ million	2021	2020
Current tax expense, Germany	**1,189**	871
Current tax expense, other countries	**339**	127
Current tax expense	**1,528**	998
thereof relating to other periods	**– 37**	2
Deferred tax expense, Germany	**124**	154
Deferred tax income/expense, other countries	**39**	79
Deferred taxes	**163**	233
Income tax income/expense	**1,691**	**1,231**

The statutory corporate income tax rate for the 2021 assessment period in Germany was 15 per cent (prior year: 15 per cent). Including trade tax and the solidarity surcharge, this results in an aggregate tax rate of 30.0 per cent (prior year: 30.0 per cent). A tax rate of 30.0 per cent (prior year: 30.0 per cent) was applied to measure the deferred taxes in the German consolidated tax group.

The tax rates applied for foreign entities range between 0 per cent and 34 per cent (prior year: 0 per cent and 34 per cent). In the case of split tax rates, the tax rate applicable to undistributed profits is applied. Tax rate changes led to measurement expenses in the reporting period of €2 million (prior year: €0 million).

The current tax expense was reduced by €2 million (prior year: €6 million) as a result of the utilization of previously unrecognized tax losses and tax credits and previously unrecognized temporary differences from prior periods. Where deferred taxes were concerned, the use of recognized tax losses in the fiscal year led to a decrease in the deferred tax expense of €0 million (prior year: €0 million).

In the reporting year, reversals of impairments and impairments were recognized on deferred tax assets for temporary differences of €2 million and €1 million, respectively (prior year: in each case €0 million).

Previously unused tax loss carryforwards for which no deferred tax assets have been recognized amounted to €59 million (prior year: €52 million). Of that amount, €46 million (prior year: €40 million) may be used without time limit, €0 million (prior year: €11 million) after more than 10 years as well as €13 million (prior year: €0 million) within 10 years.

In addition, deferred tax totaling €2 million (prior year: €30 million) was recognized on tax loss carryforwards and tax credits.

In accordance with IAS 12.39, deferred tax liabilities were not recognized for temporary differences on retained profits at subsidiaries of Porsche AG in the amount of €319 million (prior year: €242 million) because control is given.

The following reconciliation shows the differences between the expected income tax expense calculated using the group tax rate and the reported income tax expense:

€ million	**2021**	**2020**
Profit before tax	**5,729**	4,397
Group tax rate in %	**30.0**	30.0
Expected income tax expense	**1,719**	**1,319**
Effects of different tax rates	**– 56**	– 37
Effects of loss carryforwards and tax credits	**0**	3
Tax-exempt income and non-deductible business expenses	**14**	54
Taxes relating to other periods	**10**	– 108
Effect of tax rate changes	**3**	3
Other differences	**1**	– 3
Reported income tax expense	**1,691**	**1,231**
Effective tax rate in %	**29.5**	**28.0**

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual items of the statement of financial position and to tax loss carryforwards:

	Deferred tax assets		**Deferred tax liabilities**	
€ million	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
Intangible assets, property, plant and equipment and leased assets	**6**	37	**2,725**	2,394
Other equity investments	**6**	6	**–**	–
Inventories	**34**	23	**31**	14
Receivables and other assets (including financial services)	**41**	59	**110**	255
Securities	**1**	–	**–**	–
Unused tax losses and tax credits	**2**	30	**–**	–
Provisions for pensions and similar obligations	**1,099**	1,255	**27**	25
Liabilities and other provisions	**1,595**	1,263	**43**	44
Gross value	**2,784**	**2,673**	**2,936**	**2,732**
Offsetting	**– 2,202**	– 2,100	**– 2,202**	– 2,100
Consolidation	**285**	244	**48**	53
Amount recognized in the consolidated statement of financial position	**867**	**817**	**782**	**685**

In accordance with IAS 12, deferred tax assets and liabilities are offset if they relate to the same taxation authority, are due in the same periods, and there is a legally enforceable right to set off the recognized amounts.

As of the reporting date, deferred taxes totaling €165 million (prior year: €336 million as a decrease in equity) were recognized in the statement of financial position as an increase in equity; these are allocable to income and expenses recorded in other comprehensive income.

Deferred taxes recorded in other comprehensive income in the fiscal year are detailed in the statement of comprehensive income.

[11] PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit/loss attributable to non-controlling interests amounts to €6 million (prior year: €4 million) and relates to 25 per cent of the shares in Porsche Taiwan Motors Ltd., Taipei.

Notes to the consolidated statement of financial position

[12] DEVELOPMENT OF INTANGIBLE ASSETS

The intangible assets disclosed contain purchased development work, tool cost subsidies, capitalized development costs for vehicles and smart mobility, goodwill, licenses and software.

Total research and development in the reporting period (excluding amortization) developed as follows:

€ million	2021	2020
Research and non-capitalized development costs	**816**	1,018
Amortization of development costs	**968**	972
Research and development costs recognized in the income statement	**1,784**	**1,990**
Investment in capitalized development costs	**1,601**	1,225
Research and development costs (without amortization)	**2,417**	**2,243**

The carrying amount of goodwill in the Porsche AG group as of December 31, 2021 amounts to €9 million (prior year: €9 million).

Most of the existing goodwill is attributable to MHP Management- und IT-Beratung GmbH, Ludwigsburg (€4 million) and Porsche Enterprises, Inc., Wilmington, Delaware, USA (€3 million).

Intangible assets developed as follows:

€ million	Franchises, industrial and similar rights	Capitalized development costs for products currently in use	Capitalized development costs for products under development	Goodwill	Total
Cost					
Balance at Jan. 1, 2020	1,601	7,694	570	10	**9,875**
Foreign exchange differences	– 3	–	–	–	**– 3**
Changes in consolidated group	0	–	–	–	**0**
Additions	305	91	1,134	–	**1,530**
Transfers	22	197	– 197	–	**22**
Disposals	4	–	32	–	**36**
Balance at Dec. 31, 2020	**1,921**	**7,982**	**1,475**	**10**	**11,388**
Amortization and impairment					
Balance at Jan. 1, 2020	975	3,814	–	1	**4,790**
Foreign exchange differences	– 2	–	–	–	**– 2**
Changes in consolidated group	0	–	–	–	**0**
Additions	193	965	–	–	**1,158**
Transfers	0	–	–	–	**0**
Additions to cumulative impairment losses	–	7	–	–	**7**
Disposals	2	–	–	–	**2**
Balance at Dec. 31, 2020	**1,164**	**4,786**	**–**	**1**	**5,951**
Cost					
Balance at Jan. 1, 2021	1,921	7,982	1,475	10	**11,388**
Foreign exchange differences	2	–	–	–	**2**
Changes in consolidated group	0	–	–	–	**0**
Additions	286	167	1,434	–	**1,887**
Transfers	9	429	– 429	–	**9**
Disposals	8	225	1	–	**234**
Balance at Dec. 31, 2021	**2,210**	**8,353**	**2,479**	**10**	**13,052**
Amortization and impairment					
Balance at Jan. 1, 2021	1,164	4,786	–	1	**5,951**
Foreign exchange differences	1	–	–	–	**1**
Changes in consolidated group	–	–	–	–	**–**
Additions	173	968	–	–	**1,141**
Transfers	– 0	–	–	–	**– 0**
Additions to cumulative impairment losses	–	–	–	–	**–**
Disposals	8	223	–	–	**231**
Balance at Dec. 31, 2021	**1,330**	**5,531**	**–**	**1**	**6,862**
Net carrying amount as of Dec. 31, 2020	757	3,196	1,475	9	**5,437**
Net carrying amount as of Dec. 31, 2021	**880**	**2,822**	**2,479**	**9**	**6,190**

[13] DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

€ million	Land, land rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
Balance at Jan. 1, 2020	4,810	2,516	8,917	924	**17,167**
Foreign exchange differences	– 53	– 1	– 10	–	**– 64**
Changes in consolidated group	1	–	3	–	**4**
Additions	420	139	372	512	**1,443**
Transfers	218	84	94	– 418	**– 22**
Disposals	63	188	515	7	**773**
Balance at Dec. 31, 2020	**5,333**	**2,550**	**8,861**	**1,011**	**17,755**
Depreciation and impairment					
Balance at Jan. 1, 2020	989	1,377	6,177	0	**8,543**
Foreign exchange differences	– 10	–	– 5	–	**– 15**
Changes in consolidated group	–	–	–	–	**–**
Additions	225	223	767	–	**1,215**
Additions to cumulative impairment losses	–	1	–	–	**1**
Transfers	–	– 19	19	–	**–**
Disposals	21	172	491	–	**684**
Balance at Dec. 31, 2020	**1,183**	**1,410**	**6,467**	**0**	**9,060**
Cost					
Balance at Jan. 1, 2021	5,333	2,550	8,861	1,011	**17,755**
Foreign exchange differences	71	2	12	1	**86**
Changes in consolidated group	–	–	–	–	**–**
Additions	358	119	395	489	**1,361**
Transfers	341	22	129	– 501	**– 9**
Disposals	95	64	381	7	**547**
Balance at Dec. 31, 2021	**6,008**	**2,629**	**9,016**	**993**	**18,646**
Depreciation and impairment					
Balance at Jan. 1, 2021	1,183	1,410	6,467	0	**9,060**
Foreign exchange differences	17	1	7	–	**25**
Changes in consolidated group	–	–	–	–	**–**
Additions	253	232	760	–	**1,245**
Additions to cumulative impairment losses	–	13	1	–	**14**
Transfers	51	– 37	– 15	1	**–**
Disposals	49	50	361	1	**461**
Balance at Dec. 31, 2021	**1,455**	**1,569**	**6,859**	**0**	**9,883**
Net carrying amount as of Dec. 31, 2020	4,150	1,140	2,394	1,011	**8,695**
Net carrying amount as of Dec. 31, 2021	**4,553**	**1,060**	**2,157**	**993**	**8,763**

[14] DEVELOPMENT OF EQUITY-ACCOUNTED INVESTMENTS AND OTHER INVESTMENTS

€ million	Investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2020	381	152	**533**
Foreign exchange differences	–	– 2	**– 2**
Changes in consolidated group	–	28	**28**
Additions	–	59	**59**
Changes recognized directly in equity	– 1	– 1	**– 2**
Changes recognized in profit or loss	– 10	– 3	**– 13**
Dividends	– 5	–	**– 5**
Balance at Dec. 31, 2020	**365**	**233**	**598**
Impairments			
Balance at Jan. 1, 2020	83	6	**89**
Changes in consolidated group	–	2	**2**
Additions	115	8	**123**
Balance at Dec. 31, 2020	**198**	**16**	**214**
Cost			
Balance at Jan. 1, 2021	365	233	**598**
Foreign exchange differences	–	2	**2**
Changes in consolidated group	158	– 182	**– 24**
Additions	220	200	**420**
Changes recognized directly in equity	–	43	**43**
Changes recognized in profit or loss	– 23	42	**19**
Dividends	–	–	**–**
Balance at Dec. 31, 2021	**720**	**338**	**1,058**
Impairments			
Balance at Jan. 1, 2021	198	16	**214**
Changes in consolidated group	–	–	**–**
Additions	–	9	**9**
Reversal of impairment losses	51	–	**51**
Balance at Dec. 31, 2021	**147**	**25**	**172**
Net carrying amount as of Dec. 31, 2020	167	217	**384**
Net carrying amount as of Dec. 31, 2021	**573**	**313**	**886**

The equity-accounted investments include associates amounting to €534 million (prior year: €120 million) and joint ventures amounting to €39 million (prior year: €47 million).
Additions to equity-accounted investments amounted to €220 million in fiscal year 2021 (prior year: €0 million). Further details can be found under "Basis of Consolidation".

[15] DEVELOPMENT OF LEASED ASSETS AND TOTAL FIXED ASSETS

€ million	Leased assets	Total fixed assets
Cost		
Balance at Jan. 1, 2020	5,477	33,052
Foreign exchange differences	– 430	– 499
Changes in consolidated group	–	32
Additions	2,323	5,355
Changes recognized directly in equity	–	– 2
Changes recognized in profit or loss	–	– 13
Transfers	– 11	– 11
Dividends	–	– 5
Disposals	2,193	3,002
Balance at Dec. 31, 2020	**5,166**	**34,907**
Depreciation and impairment		
Balance at Jan. 1, 2020	1,648	15,070
Foreign exchange differences	– 135	– 152
Changes in consolidated group	–	2
Additions	743	3,116
Additions to cumulative impairment losses	127	258
Disposals	814	1,500
Reversal of impairment losses	17	17
Balance at Dec. 31, 2020	**1,552**	**16,777**
Cost		
Balance at Jan. 1, 2021	5,166	34,907
Foreign exchange differences	418	508
Changes in consolidated group	0	– 24
Additions	2,504	6,172
Changes recognized directly in equity	–	43
Changes recognized in profit or loss	–	19
Transfers	– 28	– 28
Dividends	–	–
Disposals	2,316	3,097
Balance at Dec. 31, 2021	**5,744**	**38,500**
Depreciation and impairment		
Balance at Jan. 1, 2021	1,552	16,777
Foreign exchange differences	129	155
Changes in consolidated group	– 2	– 2
Additions	770	3,156
Additions to cumulative impairment losses	130	153
Disposals	745	1,437
Reversal of impairment losses	44	95
Balance at Dec. 31, 2021	**1,790**	**18,707**
Net carrying amount as of Dec. 31, 2020	3,614	18,130
Net carrying amount as of Dec. 31, 2021	**3,954**	**19,793**

Leased assets contain assets leased to customers under the terms of operating leases. Any impairment of leased assets from these vehicle leasing contracts is recognized as an impairment loss in the consolidated financial statements. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. Impairment losses in fiscal year 2021 amounted to € 130 million (prior year: € 127) million).

Group entities in the financial services division act as lessor, primarily leasing their own products.

[16] INVENTORIES

Inventories break down as follows:

€ million	Dec. 31, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	**385**	341
Work in progress	**1,078**	238
Finished goods and merchandise	**2,994**	3,461
Current rental and leasing assets	**26**	9
Advance payments made	**34**	59
	4,517	**4,108**

Of the total inventories reported as of the reporting date of €4,517 million (prior year: €4,108 million), an amount of € 17 million (prior year: €40 million) is recognized at net realizable value. Inventories of €21,154 million (prior year (adjusted): € 18,909 million) were expensed at the time revenue was recognized. The write-downs recognized in profit or loss in the reporting period amounted to €31 million (prior year: €47 million) and resulted from the remeasurement of used vehicles. Reversals of write-downs of €2 million (prior year: €3 million) were recognized in profit or loss in the reporting period, also resulting primarily from the remeasurement of used vehicles. Of the total amount of inventories, leased vehicles returned amounting to €5 million (prior year: €31 million) are pledged as security under asset-backed securities transactions. The whole industry is currently experiencing supply shortages of semiconductor components. This had an impact on the structure of inventories as of December 31, 2021, causing finished goods to decrease compared to December 31, 2020, while work in process and raw materials increased.

[17] TRADE RECEIVABLES

€ million	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	**1,199**	1,081
	1,199	**1,081**

The maximum default risk corresponds to the carrying amounts of the net receivables. The fair values of the trade receivables essentially correspond to the carrying amounts due to the remaining terms. Of the total amount of trade receivables, €0 million (prior year: €0 million) is due in more than one year.

[18] NON-CURRENT AND CURRENT FINANCIAL SERVICES RECEIVABLES

As of the end of the reporting period, financial services receivables break down as follows:

	CARRYING AMOUNT			FAIR VALUE	CARRYING AMOUNT			FAIR VALUE
€ million	Current	Non-current	Dec. 31, 2021	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020	Dec. 31, 2020
Receivables from financing business								
Customer financing	487	2,330	**2,817**	**2,889**	529	1,393	1,922	1,980
Dealer financing	10	0	**10**	**10**	9	–	9	9
	497	**2,330**	**2,827**	**2,899**	**538**	**1,393**	**1,931**	**1,989**
Receivables from operating leases	25	–	**25**	**25**	16	–	16	16
Receivables from finance leases	559	1,131	**1,690**	**1,740**	568	1,021	1,589	1,630
	1,081	**3,461**	**4,542**	**4,664**	**1,122**	**2,414**	**3,536**	**3,635**

[19] NON-CURRENT AND CURRENT OTHER FINANCIAL ASSETS

As of the end of the reporting period, other financial assets break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Positive fair value of derivative financial instruments	135	219	**354**	148	591	**739**
Miscellaneous financial assets	5,218	8,377	**13,595**	2,613	8,279	**10,892**
	5,353	**8,596**	**13,949**	**2,761**	**8,870**	**11,631**

Miscellaneous financial assets contain receivables from VW AG of €2,000 million (prior year: €0 million) and Porsche Holding Stuttgart GmbH of €10,193 million (prior year: €9,951 million). These relate to loan receivables of €8,135 million (prior year: €8,135 million) due in more than one year and the current clearing account and interest receivables of Porsche AG amounting to €2,058 million (prior year: €1,816 million).

In addition, the miscellaneous financial assets include restricted cash in the amount of €308 million (prior year: €276 million). This relates to collected customer payments for receivables sold under asset-backed securities programs, which have to be passed on to the contracting partners in a timely manner, as well as collateral in connection with vehicle financing. There are also restrictions on the use of credits accrued under phased retirement schemes in accordance with section 8a of the German Phased Retirement Act (Altersteilzeitgesetz – AtzG) in connection with statutory insolvency insurance.

No significant valuation allowances were recognized for miscellaneous financial assets. The maximum default risk corresponds to the net carrying amounts of miscellaneous financial assets.

The positive fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2021	Dec. 31, 2020
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	**211**	678
Hedging transactions (interest and currency)	**211**	**678**
Assets related to derivatives not included in hedging relationships	**143**	61
	354	**739**

Further details on derivative financial instruments as a whole are given in note **[35]**.

[20] NON-CURRENT AND CURRENT OTHER RECEIVABLES

As of the end of the reporting period, other receivables break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Other recoverable income taxes	284	0	**284**	306	0	**306**
Miscellaneous receivables	282	113	**395**	288	164	**452**
Conditional receivables from long-term construction contracts	13	–	**13**	12	–	**12**
	579	**113**	**692**	**606**	**164**	**770**

Miscellaneous receivables include prepaid expenses in the amount of €192 million (prior year: €219 million). These are primarily attributable to rent and marketing expenses, as well as prepaid maintenance costs for hardware and software.

The current other receivables are mainly non-interest-bearing.

Other receivables include contingent receivables under long-term construction contracts recognized in application of the percentage of completion method. They correspond to the contract assets from contracts with customers, and developed as follows:

€ million	2021	2020
Contingent construction contract receivables Balance at Jan. 1	**12**	13
Additions and disposals	**1**	– 1
Changes in consolidated group	**–**	–
Change in valuation allowances	**0**	0
Changes in estimates and assumptions as well as contract modifications	**–**	–
Foreign exchange differences	**–**	–
Contingent construction contract receivables at Dec. 31	**13**	**12**

The contingent receivables from long-term construction contracts break down as follows:

€ million	Dec. 31, 2021	Dec. 31, 2020
Contract costs including outcome of the long-term construction contracts	**89**	78
thereof services billed to customers	**– 61**	– 38
Future receivables from long-term construction contracts	**28**	40
Advance payments received	**– 15**	– 28
	13	**12**

The revenue from long-term construction contracts totals €95 million (prior year: €101 million). Contracts and parts of contracts billed to customers are presented within trade receivables. No material write-downs were recognized for these.

[21] TAX ASSETS

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Deferred tax assets	–	867	**867**	–	817	**817**
Tax receivables	155	–	**155**	163	–	**163**
	155	**867**	**1,022**	**163**	**817**	**980**

Of the deferred tax assets, an amount of €682 million (prior year: €537 million) relates to recognition and measurement differences between the IFRS consolidated statement of financial position and the tax base that will reverse within a year.

[22] SECURITIES

The securities serve to safeguard liquidity. They are short-term fixed-income securities and shares. The securities are measured at fair value. Non-current securities amounting to €3 million (prior year: €91 million) have been furnished as collateral for financial liabilities and contingent liabilities. The recipient of collateral has no original right of disposal or pledge with respect to the furnished collateral.

[23] CASH, CASH EQUIVALENTS AND TIME DEPOSITS

Cash, cash equivalents and time deposits of €4,686 million (prior year: €4,500 million) consist of checks, cash on hand, bank balances, balances with affiliated companies and time deposits. Bank balances are held at various banks in different currencies. Balances with affiliated companies comprise overnight or short-term deposits that are only subject to an immaterial risk of fluctuations in value.

[24] EQUITY

The composition and development of equity and of non-controlling interests is presented in the statement of changes in equity.

SUBSCRIBED CAPITAL

Porsche AG's subscribed capital amounts to €45,500,000 (prior year: €45,500,000) and is divided into 45,500,000 (prior year: 45,500,000) no-par-value shares, each with a pro rata share of € 1 of the share capital. All shares in Porsche AG are held by Porsche Holding Stuttgart GmbH. A control and profit and loss transfer agreement is in place between Porsche Holding Stuttgart GmbH and Porsche AG.

CAPITAL RESERVES

The capital reserves contain contributions from premiums and other capital contributions and increased by €471 million (prior year: € 1,028 million) to € 14,225 million in the reporting period (prior year: € 13,754 million). The increase in the fiscal year related to two capital contributions in the form of cash contributions by Porsche Holding Stuttgart GmbH.

RETAINED EARNINGS

Retained earnings include the reserve for accumulated profits and the reserve for remeasurements from pension plans.

The reserve for accumulated profits includes the profits earned in the reporting year and those earned by consolidated subsidiaries in prior years and not yet distributed as well as transactions recognized within equity. The profit transferred to Porsche Holding Stuttgart GmbH on account of the profit and loss transfer agreement amounted to € 1,858 million (prior year: € 1,860 million).

Changes in pension provisions recognized directly in equity are posted to the reserve for remeasurements from pension plans.

OTHER RESERVES

The other reserves are the reserves for currency translation, for cash flow hedges (OCI I), for deferred hedging costs (OCI II), for equity and debt instruments, and for equity-accounted investments.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. In addition, exchange differences from the translation of capital have been reported in this reserve to allow the uniform recording of foreign currency effects within equity.

The cash flow hedge reserve (OCI I) is only used to record the designated effective portions of changes in the value of hedging instruments. By contrast, the non-designated portions of changes in the value of hedging instruments are accounted for through the reserve for deferred hedging costs (OCI II).

The reserve for equity-accounted investments is used to record the proportionate changes in equity-accounted equity investments recognized in other comprehensive income.

NON-CONTROLLING INTERESTS

Non-controlling interests in equity relate to 25 per cent of the shares in Porsche Taiwan Motors Ltd., Taipei.

CAPITAL MANAGEMENT

The Porsche AG group's capital management ensures that it is possible to realize the group's objectives and strategies in the interests of the shareholder, employees and other stakeholders. The primary objective of capital management at the Porsche AG group is to ensure the financial flexibility necessary to realize its value-adding business and growth targets and to increase its enterprise value over the long term. The management's focus lies in particular on generating the shareholder's desired minimum return on invested capital in the automotive division and on increasing the return on equity in the financial services division. In general, the aim of the Porsche AG group and its divisions is to achieve as high a return as possible to the benefit of all stakeholders in the company.

In order to structure the use of resources as efficiently as possible in the automotive division and to measure its success, we apply a value-driven management concept based on value contributed as an absolute performance indicator and return on investment (ROI) as a relative performance indicator.

Value contributed is determined by calculating the difference between operating profit after tax and the opportunity cost of invested capital. The opportunity cost of capital is calculated by multiplying the cost of capital stipulated by the shareholder by the average invested capital. Invested capital is calculated as total operating assets (property, plant and equipment, intangible assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received). Average invested capital is calculated using total assets at the beginning and the end of the reporting year. In the reporting year, the automotive division generated a clearly positive value contribution of €2,499 million (prior year: €1,805 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. If the return on investment exceeds the cost of capital stipulated by the shareholder, this results in an appreciation of the invested capital, or positive value contributed. In the automotive division, the return on investment for the reporting year amounted to 21.3 per cent (prior year: 18.1 per cent), which was significantly above the minimum return of 9 per cent required by the shareholder.

Given the particular features of the financial services division, control focuses on the return on equity, a target indicator which is based on the equity invested. This indicator is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the balance at the beginning and the end of the reporting year. In addition, the financial services division aims to satisfy the capital requirements of the banking supervisory authorities, as well as to obtain the necessary equity to finance the growth planned for the coming fiscal years and to support external ratings by ensuring capital adequacy.

The return on investment and value contributed in the automotive division and the return on equity and equity ratio in the financial services division are presented in the tables below:

€ million	2021	2020
Automotive division		
Operating profit after tax	**3,523**	2,815
Assets invested (average)	**16,513**	15,542
Return on investment (RoI) in %	**21.3**	**18.1**
Cost of capital in %	**6.2**	6.5
Opportunity cost of invested capital	**1,024**	1,010
Value contributed	**2,499**	**1,805**
Financial services division		
Profit before tax	**314**	192
Average equity	**1,482**	1,308
Pre-tax return on equity in %	**21**	**15**
Equity ratio in %	**15**	**15**

In conjunction with the Porsche AG group's debenture bond arrangements, it was agreed that the Porsche AG group would comply with a covenant to maintain a minimum equity ratio of 20 per cent. With an equity ratio of 45 per cent (prior year: 44 per cent), the group complied in full with this covenant in the reporting period.

[25] PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations.

Group companies provide both defined contribution plans and defined benefit plans. In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions are recognized as expenses of the period concerned. In the reporting period, they amounted to €236 million (prior year: €221 million) in the group as a whole. Of that amount, contributions to the compulsory state pension system in Germany amounted to €228 million (prior year: €214 million).

Most pension plans are defined benefit plans, with a distinction made between unfunded benefit obligations and externally funded plans. The defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. The defined benefit obligations are recognized at the present value of vested benefits as of the measurement date taking probable future increases in pensions and salaries into account. The defined benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current period.

The Porsche AG group offers its employees benefits from a modern and attractive pension scheme for the time after their active working life. A substantial part of the benefit obligations are pension plans for employees in Germany that are classified as defined benefit plans within the meaning of IAS 19 and that are covered by collective agreements. These obligations are exclusively financed through the recognition of provisions in the statement of financial position.

Both defined contribution pension obligations with guarantees and pension obligations based on the final salary payment have been entered into in connection with employer-funded pension plans. In the case of defined contribution obligations, an annual income-related service cost is converted into a lifelong pension entitlement based on annuity conversion factors (guaranteed components). The annuity conversion factors contain a guaranteed yield. At retirement, the pension components earned each year are added.

Defined benefit obligations with guarantees have been entered into for employee-funded pension plans. The annual service cost (according to individual deferred compensation agreements) is converted to capital components by multiplying them with age factors. A guaranteed yield is integrated in the age factors. At retirement, the pension components earned each year are paid out either as a lump sum or in multiple installments. If a pension is to be paid, this is calculated by converting the capital for pension benefits into an annuity.

Most of the benefits relate to Porsche AG. Porsche also provides conversion models, where Porsche employees can make their own contributions to establish an additional personal pension account.

ACTUARIAL ASSUMPTIONS

The defined benefit obligations are calculated using actuarial methods. These include assumptions concerning discount rates, future wage and salary developments and pension increases. These parameters are estimated annually by the company. Actuarial gains or losses result from changes in the composition of the plan and deviations of actual parameters (for example, increases in income and pensions or changes in interest rates) from the assumptions made in the calculation in the prior year. These are recognized directly in equity in the period in which they were incurred taking into account deferred taxes.

The present value of the obligations is reported as the present value of the guaranteed obligation and the plan assets. A provision is recognized for any excess between the present value of the guaranteed obligations and the plan assets.

The measurement is based on the following assumptions:

	Germany		United Kingdom		USA	
%	**2021**	2020	**2021**	2020	**2021**	2020
Discount rate	**1.40**	0.80	**2.00**	1.40	**3.05**	2.85
Increase in salaries	**2.80**	2.80	**3.00**	2.60	**3.25**	3.25
Employee turnover rate	**0.70**	0.70	**3.50**	3.50	**4.49**	–
Medical cost increase rate	**–**	–	**–**	–	**–**	4.50
Career progression	**0.50**	0.50	**–**	–	**–**	–
Increase in pensions	**1.70**	1.50	**2.30**	2.10	**–**	–

Discount rates are generally determined based on the return on high-quality corporate bonds whose terms and currency match the respective obligations. The iBoxx AA Corporate Bond index was used as a basis for the obligations pertaining to the group's entities in Germany. Comparable indices are used for foreign pension obligations.

Increases in pensions correspond to either the contractually agreed guaranteed adjustments or are based on the rules applicable locally in each respective country for pension adjustments.

The present value of the guarantee obligation increases as interest rates fall and is thus exposed to interest rate risks.

The pension system provides for lifelong pension payments. To this extent, the entities bear the longevity risk. This is accounted for by using the most recent mortality tables (2018 G mortality tables by Prof. Dr. Klaus Heubeck) to determine the annuity conversion factors and the present value of the guaranteed obligation.

To reduce the inflation risk inherent in adjusting current pension payments by the inflation rate, a pension adjustment that is not linked to inflation was introduced for pension obligations where this legally permitted.

The effects of a one percentage point increase or decrease in the assumed medical cost increase rate when calculating the obligations for the medical costs of the US entities' employees are as follows:

	Increase		Decrease	
€ million	**2021**	2020	**2021**	2020
Current service and interest cost	**0**	0	**0**	0
Post-employment medical benefits	**–**	0	**–**	0

Amounts recognized in profit or loss break down as follows:

€ million	**2021**	2020
Current service cost	**433**	501
Net interest expense (+) / income (-)	**48**	60
Past service cost (including plan curtailments)	**-0**	-77
Gains (-) / losses (+) from plan settlements	**-0**	-0
Net benefit expense	**481**	**484**

The figures above are generally included in the personnel expenses for the respective functions. The net interest expense/income from unwinding the discount on the obligation and the return on plan assets is reported in interest expenses.

The decrease in current service cost is largely due to plan amendments for employee-funded pension plans in connection with the new job security agreements at some German companies.

The development of the present value of pension obligations is presented in the following table:

€ million	2021	2020
As of Jan. 1	**6,058**	5,558
Foreign exchange differences	**13**	– 11
Current service cost	**433**	501
Interest expense	**50**	63
Past service cost (including plan curtailments)	**– 0**	– 77
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	**5**	-427
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	**-835**	482
Actuarial gains (-)/losses (+) arising from experience adjustments	**-52**	-52
Employee contributions to plan assets	**1**	0
Pension payments from plan assets	**-3**	-5
Pension payments from company assets	**-52**	-46
Gains (-) / losses (+) from plan settlements	**-0**	-0
Changes in consolidated group	**–**	8
Other changes	**-1**	1
Employee contributions	**52**	63
As of Dec. 31	**5.669**	**6.058**

Changes to key actuarial assumptions would have had the following effects on the defined benefit obligation:

Present value of defined benefit obligation if		€ million	Dec. 31, 2021 change in percent	€ million	Dec. 31, 2020 change in percent
Discount trend	is 0.5 percentage points higher	4,920	– 18.78	5,304	– 12.45
	is 0.5 percentage points lower	6,577	8.57	6,975	15.14
Payroll trend	is 0.5 percentage points higher	5,738	– 5.28	6,148	1.49
	is 0.5 percentage points lower	5,616	– 7.29	5,988	– 1.16
Pension trend	is 0.5 percentage points higher	6,027	– 0.51	6,413	5.86
	is 0.5 percentage points lower	5,350	– 11.69	5,741	– 5.23
Longevity	increase by one year	5,842	– 3.57	6,232	2.87

Each of the sensitivity analyses presented is based on changes to one assumption ceteris paribus, i.e., possible interdependencies between the individual assumptions are not taken into account.

To analyze the sensitivity of the present value of the defined benefit obligation due to a change in the assumed longevity, the mortality rates assumed in the comparative calculation are reduced so as to increase longevity by roughly one year.

The weighted-average duration (the Macaulay duration) of the defined benefit obligation based on the present values of the obligation is 28 years (prior year: 28 years).

The present value of the defined benefit obligation is allocable among the plan members as follows:

€ million	2021	2020
Active members with pension entitlements	**4,595**	5,064
Members with vested entitlements who have left the company	**293**	280
Pensioners	**781**	714

A maturity profile of payments under defined benefit obligations is presented in the following based on an allocation of the present value of the obligation to the maturity of the underlying payments:

€ million	2021	2020
Payments due within the next fiscal year	**75**	64
Payments due between two and five years	**309**	298
Payments due in more than five years	**5,285**	5,696

Development of plan assets at fair values:

€ million	2021	2020
As of Jan. 1	**126**	120
Foreign exchange differences	**9**	– 7
Interest income on plan assets determined using the discount rate	**2**	3
Income/expenses from plan assets not included in interest income	**– 0**	8
Benefits paid	**– 3**	– 5
Employer contributions	**9**	6
Employee contributions	**1**	1
Other changes	**– 0**	– 0
As of Dec. 31	**144**	**126**

Plan assets are invested in the following categories:

€ million	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
			Dec. 31, 2021			Dec. 31, 2020
Cash and cash equivalents	3	–	**3**	8	–	**8**
Equity instruments	19	–	**19**	12	–	**12**
Debt instruments	4	–	**4**	–	–	**–**
Derivative financial instruments	–	–	**–**	0	–	**0**
Equity funds	34	–	**34**	28	–	**28**
Pension funds	45	–	**45**	40	–	**40**
Real estate funds	3	–	**3**	1	–	**1**
Other funds	36	–	**36**	36	–	**36**
Other	0	0	**0**	1	0	**1**
Fair value of plan assets	**144**	**0**	**144**	**126**	**0**	**126**

60 per cent of plan assets are invested in assets in the United Kingdom, 32 per cent are invested in assets in the United States, 8 per cent are invested in assets in Switzerland. Contributions to plan assets are expected to total €8 million for the following fiscal year.

The change in the net liability compared to the prior year is presented below:

€ million	2021 Present value of obligation	2021 Fair value of plan assets	2021 Total	2020 Present value of obligation	2020 Fair value of plan assets	2020 Total
As of Jan. 1	6,058	– 126	**5,932**	5,558	– 120	**5,438**
Foreign exchange differences	13	– 9	**4**	– 11	7	**– 4**
Current service cost	433	–	**433**	501	–	**501**
Interest expense/income	50	– 2	**48**	63	– 3	**60**
Past service cost (including plan curtailments)	– 0	–	**0**	– 77	–	**– 77**
Income/expenses from plan assets not included in interest income	–	0	**0**	–	– 8	**– 8**
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	5	–	**5**	-427	–	**-427**
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	-835	–	**-835**	482	–	**482**
Actuarial gains (-)/losses (+) arising from experience adjustments	-52	–	**-52**	-52	–	**-52**
Employee contributions to plan assets	1	-1	**0**	0	-1	**-1**
Pension payments from plan assets	-3	3	**0**	-5	5	**0**
Employer contributions	–	-9	**-9**	–	-6	**-6**
Pension payments from company assets	-52	–	**-52**	-46	–	**-46**
Gains (-) / losses (+) from plan settlements	-0	–	**0**	-0	–	**0**
Changes in consolidated group	–	–	**–**	8	–	**8**
Other changes	-1	0	**-1**	1	–	**1**
Employee contributions	52	–	**52**	63	–	**63**
As of Dec. 31	**5.669**	**-144**	**5.525**	**6.058**	**-126**	**5.932**

The following amounts were recognized in the statement of financial position for defined benefit obligations:

€ million	Dec. 31, 2021	Dec. 31, 2020
Present value of funded benefit obligations	**174**	169
Fair value of plan assets	**– 144**	– 126
Funded status (net)	**30**	43
Present value of unfunded benefit obligations	**5,495**	5,889
As of Dec. 31	**5,525**	**5,932**
thereof pension provisions	**5,525**	5,932
thereof other assets	**–**	–

As of the reporting date, remeasurements from pension plans before tax of €877 million were recognized as an increase in equity (prior year: increase in equity of €6 million).

[26] NON-CURRENT AND CURRENT OTHER PROVISIONS

€ million	Obligations arising from sales	Employee expenses	Miscellaneous provisions	Total
Balance at Jan. 1, 2020	**1,579**	**791**	**744**	**3,114**
Foreign exchange differences	– 19	– 3	– 7	**– 29**
Changes in consolidated group	–	2	–	**2**
Utilization	844	533	180	**1,557**
Additions/New provisions	646	561	338	**1,545**
Unwinding of discount/effect of change in discount rate	–	–	–	**–**
Reversal	127	8	152	**287**
Balance at Dec. 31, 2020	**1,235**	**810**	**743**	**2,788**
thereof current	652	503	694	**1,849**
thereof non-current	583	307	49	**939**
Balance at Jan. 1, 2021	**1,235**	**810**	**743**	**2,788**
Foreign exchange differences	26	4	15	**45**
Changes in consolidated group	–	–	0	**0**
Utilization	721	485	210	**1,416**
Additions/New provisions	1,144	560	427	**2,131**
Unwinding of discount/effect of change in discount rate	– 4	0	–	**– 4**
Reversal	15	39	117	**171**
Balance at Dec. 31, 2021	**1,665**	**850**	**858**	**3,373**
thereof current	799	591	799	**2,189**
thereof non-current	866	259	59	**1,184**

Provisions for obligations arising from sales primarily concern warranty obligations, marketing services and bonuses. The warranty obligations in the Porsche AG group mainly arise from product warranties granted for the vehicles it produces. The provisions include both estimated expenses from legal and contractual guarantee claims as well as estimated expenses for constructive warranties. The provisions are recognized taking account of the past or estimated future claims pattern per type of model and construction year. Individual technical risks identified are recorded separately. The timing of the utilization of the warranty provisions depends on the occurrence of the guarantee/warranty claim and can extend over the entire legal and constructive warranty period. Provisions for expected repair measures have been recognized for the vehicles affected by the diesel issue, as described in note **[38]**, and a corresponding receivable due from Audi AG has been recognized under other financial assets. Estimated expenses for constructive warranties were taken into consideration for further customer and dealer measures relating to these vehicles. The provisions for bonuses are intended to cover the cost of subsequent reductions in revenue already realized.

Provisions for personnel expenses are recognized principally for employee and management bonuses, long-service awards, time credits, top-up amounts for phased retirement schemes, severance payments and similar obligations.

Miscellaneous provisions include provisions for legal and litigation risks of € 173 million (prior year: € 166 million) and largely relate to the legal risks described in note **[38]**. Miscellaneous provisions also include provisions for customs risks totaling € 32 million (prior year: € 89 million). In addition, provisions totaling € 163 million (prior year: € 141 million) have been recognized for insurance claims. Of that amount, € 11 million (prior year: € 17 million) is attributable to claims lodged but not yet settled, € 3 million (prior year: € 14 million) is attributable to claims not yet lodged and € 149 million (prior year: € 110 million) to insurance premiums that have not yet been collected.

In addition, miscellaneous provisions contain a wide range of identifiable risks, price risks and uncertain obligations, such as those stemming from product liability and litigation, measured according to the probability of their occurrence. Depending on the jurisdiction concerned, this item also includes loss allowances for any instances of non-compliance with statutory emissions limits. These were measured by, among other things, taking into account the respective sales volume and the legally defined fee or the cost of acquiring emission rights from other manufacturers. Synergies with other brands of the Volkswagen group were utilized where possible by creating emission pools.

63 per cent of the other provisions is expected to result in cash outflows within one year, 32 per cent in between one and five years and 6 per cent thereafter.

[27] NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Financial liabilities break down as follows:

€ million	Total	Current	Non-current
Dec. 31, 2021			
ABS-refinancing	**6,418**	2,662	3,756
Debenture bonds	**1,621**	133	1,488
Liabilities to banks	**620**	221	399
Lease liabilities	**1,063**	107	956
Other financial liabilities	**5**	5	–
	9,727	**3,128**	**6,599**
Dec. 31, 2020			
ABS-refinancing	**4,650**	1,978	2,672
Debenture bonds	**2,023**	304	1,719
Liabilities to banks	**687**	283	404
Lease liabilities	**964**	91	873
Other financial liabilities	**1**	1	–
	8,325	**2,657**	**5,668**

ABS refinancing of € 6,418 million (prior year: € 4,650 million) relates to transactions in connection with refinancing the portfolio of lease and financing agreements. These are explained in more detail in note **[35]**. The debenture bonds were placed in different tranches with fixed and variable interest and have been partially repaid. The principal amounts of the debenture bonds totaled € 1,622 million (prior year: € 2,025 million). They are measured at amortized cost.

Liabilities to banks are used for refinancing in the financial services business and, to a small extent, for current financing. The nominal interest rate varies from 0.21 per cent to 0.75 per cent depending on the currency, maturity and contractual terms and conditions (prior year: 0.23 per cent and 0.75 per cent). They are measured at amortized cost.

[28] TRADE PAYABLES

€ million	Dec. 31, 2021	Dec. 31, 2020
Trade payables	**2,447**	2,335
	2,447	**2,335**

The fair values of the trade payables essentially correspond to the carrying amounts due to the remaining terms.

Of the total amount of trade payables €0 million (prior year: €0 million) is due in more than one year.

[29] NON-CURRENT AND CURRENT OTHER FINANCIAL LIABILITIES

As of the end of the reporting period, other financial liabilities break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Negative fair values of derivative financial instruments	781	375	**1,156**	174	112	**286**
Interest payable	12	–	**12**	15	–	**15**
Liabilities from profit/loss transfer agreement and from tax relief with Porsche Holding Stuttgart GmbH	2,438	–	**2,438**	2,465	–	**2,465**
Miscellaneous financial liabilities	407	258	**665**	305	173	**478**
	3,638	**633**	**4,271**	**2,959**	**285**	**3,244**

Miscellaneous financial liabilities include liabilities from minority shareholders' call rights of € 190 million (prior year: € 160 million).

The item derivative financial instruments marked to market mainly comprises forward exchange transactions, currency options and interest rate swaps.

The negative fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2021	Dec. 31, 2020
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	**1,138**	216
Hedging transactions (interest and currency)	**1,138**	**216**
Liabilities related to derivatives not included in hedging relationships	**18**	70
	1,156	**286**

Further details on derivative financial instruments as a whole are given in note **[35]**.

[30] NON-CURRENT AND CURRENT OTHER LIABILITIES

As of the end of the reporting period, other liabilities break down as follows:

			CARRYING AMOUNT			CARRYING AMOUNT
€ million	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Payments received on account of orders	790	446	**1,236**	660	290	**950**
Liabilities relating to						
other taxes	269	5	**274**	273	5	**278**
social security	5	–	**5**	5	–	**5**
wages and salaries	212	2	**214**	232	58	**290**
Miscellaneous liabilities	210	192	**402**	161	120	**281**
	1,486	**645**	**2,131**	**1,331**	**473**	**1,804**

The miscellaneous liabilities include deferred income. This comprises special rent payments of €282 million (prior year: €244 million) and other deferred income of €80 million (prior year: €30 million).

The payments received on account of orders item includes liabilities from advance payments received under contracts with customers. These developed as follows:

€ million	2021	2020
Liabilities from advance payments received under contract with customers at Jan. 1	**950**	758
Additions and disposals	**242**	224
Changes in consolidated group	**–**	–
Changes in estimates and assumptions as well as contract modifications	**–**	–
Foreign exchange differences	**44**	– 32
Liabilities from advance payments received under contract with customers at Dec. 31	**1,236**	**950**

Liabilities from advance payments received under contracts with customers correspond to the contractual liabilities from contracts with customers.

This also includes liabilities from long-term construction contracts:

€ million	Dec. 31, 2021	Dec. 31, 2020
Cost of conversion including outcome of the long-term construction contracts	**137**	142
thereof services billed to customers	**– 137**	– 137
Future receivables from long-term construction contracts	**–**	5
Advance payments received	**– 7**	– 10
	7	**5**

[31] TAX LIABILITIES

			CARRYING AMOUNT			CARRYING AMOUNT
€ million	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Deferred tax liabilities	–	782	**782**	–	685	**685**
Income tax provisions	126	–	**126**	111	–	**111**
Tax payables	65	–	**65**	43	–	**43**
	191	**782**	**973**	**154**	**685**	**839**

Of the deferred tax liabilities, an amount of €2 million (prior year: €1 million) relates to recognition and measurement differences between IFRSs and the tax base that will reverse within a year.

Notes to the consolidated statement of cash flows

[32] NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows presents cash inflows and outflows from operating, investing and financing activities, regardless of how they are classified in the statement of financial position.

The cash flow from operating activities is derived indirectly, starting from profit/loss before tax. The profit/loss before tax is adjusted to eliminate non-cash expenses and income (primarily depreciation, amortization and write-downs, the gain/loss from the disposal of assets and other non-cash items). Other non-cash income and expenses primarily arose from the measurement of derivatives used to hedge foreign exchange exposure. Factoring in changes in working capital, which include changes in leased assets, changes in receivables from financial services and changes in pension provisions and other provisions, cash flows from operating activities are calculated. The item income taxes paid primarily includes payments to Porsche Holding Stuttgart GmbH, Stuttgart on account of the consolidated tax group in Germany and payments to foreign tax authorities.

Investing activities include additions to property, plant and equipment, and changes in equity investments, as well as additions of capitalized development costs, investments in securities, loans and time deposits.

Financing activities include outflows due to payments for profit transfers and dividend distributions and the repayment of bonds, as well as inflows from capital increases, the issuance of bonds and changes in other financial liabilities.

The changes in the items of the statement of financial position from which the statement of cash flows is derived are adjusted for non-cash effects. Changes in the items in the statement of financial position concerned can therefore not be reconciled directly with the figures in the published consolidated statement of financial position.

Cash flows from operating activities presented in the cash flow statement include:

€ million	**2021**	**2020**
Interest paid	**159**	167
Interest received	**206**	161
Dividends received[1]	**2**	5

[1] Dividends from joint ventures and associates as well as other equity investments.

The interest paid and received also contains the interest income and interest expenses from financial services reported in cost of sales or sales revenue.

€ million	**Dec. 31, 2021**	**Dec. 31, 2020**
Cash and cash equivalents as reported in the statement of financial position	**4,686**	4,500
Time deposits	**359**	156
Cash and cash equivalents as reported in the statement of cash flows	**4,327**	4,344

Time deposits are not classified as cash equivalents. Time deposits have a contractual maturity of more than three months. The maximum default risk corresponds to the carrying amount of the cash and cash equivalents. The table below shows the analysis of the changes in financial liabilities into cash and non-cash items:

			Non-cash changes			
€ million	Balance at Jan. 1, 2021	Cash-effective changes	Foreign exchange differences	Changes in consolidated group	Other changes	**Balance at Dec. 31, 2021**
ABS-refinancing	– 4,650	– 1,429	– 339	–	–	**– 6,418**
Other total third-party borrowings	– 2,711	442	23	–	–	**– 2,246**
Lease liabilities[1]	– 964	110	– 37	–	– 172	**– 1,063**
Total third-party borrowings	**– 8,325**	**– 877**	**– 353**	**–**	**– 172**	**– 9,727**
Put options and compensation rights granted to non-controlling interest shareholders	–	–	–	–	–	**–**
Other financial assets and liabilities	– 5	2	– 1	–	–	**– 4**
Financial assets and liabilities in financing activities	**– 8,330**	**– 875**	**– 354**	**–**	**– 172**	**– 9,731**

			Non-cash changes			
€ million	Balance at Jan. 1, 2020	Cash-effective changes	Foreign exchange differences	Changes in consolidated group	Other changes	**Balance at Dec. 31, 2020**
ABS-refinancing	– 4,253	– 671	274	–	–	**– 4,650**
Other total third-party borrowings	– 2,451	– 279	19	–	–	**– 2,711**
Lease liabilities[1]	– 910	96	24	– 2	– 172	**– 964**
Total third-party borrowings	**– 7,614**	**– 854**	**317**	**– 2**	**– 172**	**– 8,325**
Put options and compensation rights granted to non-controlling interest shareholders	–	–	–	–	–	**–**
Other financial assets and liabilities	– 1	– 3	–	–	–	**– 5**
Financial assets and liabilities in financing activities	**– 7,615**	**– 857**	**317**	**– 2**	**– 172**	**– 8,330**

[1] Other changes to lease liabilities largely include non-cash additions of lease liabilities.

Other Disclosures

[33] IAS 23 (BORROWING COSTS)

Capitalized borrowing costs amounted to €24 million (prior year: €13 million) in the fiscal year and primarily related to capitalized development costs. At the Porsche group, an average borrowing rate of 1.3 per cent (prior year: 1.4 per cent) was used as the basis for capitalization.

[34] IFRS 16 – LEASES

1 LESSEE ACCOUNTING

The Porsche AG group primarily acts as lessee with respect to leases of office premises, real estate and other production resources. The leases are negotiated individually and include a wide range of contractual terms. Right-of-use assets under leases are included in the following items in the statement of financial position:

Presentation of and changes in right-of-use assets from January 1 to December 31, 2021:

€ million	Right of use on land, land rights and buildings incl. buildings on third party land	Right of use on technical equipment and machinery	Right of use on other equipment, operational and office equipment	Total
Cost Balance				
Balance at Jan. 1, 2020	943	9	44	**996**
Foreign exchange differences	– 26	–	–	**– 26**
Changes in consolidated group	2	–	–	**2**
Additions	183	–	18	**201**
Disposals	45	–	3	**48**
Balance at Dec. 31, 2020	**1,057**	**9**	**59**	**1,125**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2020	84	1	9	**94**
Foreign exchange differences	– 3	–	–	**– 3**
Additions to cumulative depreciation	101	1	13	**115**
Disposals	18	–	3	**21**
Balance at Dec. 31, 2020	164	2	19	**185**
Carrying amount at Dec. 31, 2020	**893**	**7**	**40**	**940**
Cost Balance				
Balance at Jan. 1, 2021	1,057	9	59	**1,125**
Foreign exchange differences	42	0	1	**43**
Changes in consolidated group	–	–	–	**–**
Additions	191	2	12	**205**
Disposals	79	0	9	**88**
Balance at Dec. 31, 2021	**1,211**	**11**	**63**	**1,285**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2021	164	2	19	**185**
Foreign exchange differences	6	0	0	**6**
Additions to cumulative depreciation	105	1	14	**120**
Disposals	46	0	8	**54**
Balance at Dec. 31, 2021	229	3	25	**257**
Carrying amount at Dec. 31, 2021	**982**	**8**	**38**	**1,028**

Income of €4 million (prior year: €4 million) was generated in the fiscal year from subleasing assets.

The measurement of right-of-use assets and the associated lease liability is subject to best estimates with regard to the exercise of options to extend or terminate the lease. This estimate is updated if there are material changes in circumstances or in the agreement.

The tables below show how the lease liabilities are presented in the statement of financial position and give an overview of their contractual maturities:

€ million	Dec. 31, 2021	Dec. 31, 2020
Non-current financial liabilities	**956**	873
Current financial liabilities	**107**	91
Total lease liabilities	**1,063**	**964**

Maturity analysis of undiscounted lease liabilities:

	Remaining contractual maturities			
€ million	under one year	within one to five years	over five years	Total
Lease liabilities at Dec. 31, 2021	**134**	**414**	**854**	**1,402**
Lease liabilities at Dec. 31, 2020	119	389	813	**1,321**

Interest expenses of €28 million (prior year: €32 million) were incurred for lease liabilities in the fiscal year.

Right-of-use assets were not recognized for short-term leases and leases of low-value assets. Expenses totaling €32 million (prior year: €29 million) were incurred for leases of low-value assets in the fiscal year. That figure does not include expenses for short-term leases, which totaled €91 million in the fiscal year (prior year: €94 million). €2 million (prior year: €0 million) was attributable to variable lease payments in the fiscal year.

In the fiscal year, total cash outflows of €262 million (prior year: €256 million) were attributable to leases entered into as lessee.

The table below gives an overview of potential future cash outflows not taken into consideration in the measurement of lease liabilities:

€ million	2021	2020
Future cash outflows to which the lessee is potentially exposed		
Variable lease payments	**–**	–
Residual value guarantees	**–**	–
Extension options	**245**	269
Termination options	**1**	6
Obligations under leases not yet commenced	**28**	16
Other limitations or obligations under leases	**–**	–
	274	**291**

2 LESSOR ACCOUNTING

The Porsche AG group acts as lessor under both finance and operating leases. These relate primarily to vehicles and, to a lesser extent, land and buildings and items of equipment for dealerships.

The Porsche AG group fully accounts for the credit risk arising in respect of lease receivables by recognizing loss allowances in accordance with IFRS 9. As lessor, the Porsche AG group counters risks from assets underlying the lease by, among other things, taking into account residual value guarantees received for parts of the lease portfolio as well as forward-looking residual value forecasts on the basis of internal and external information in the context of residual value management. The residual value forecasts are reviewed regularly.

2.1 Operating leases

Presentation of and changes in non-current leased assets from January 1 to December 31, 2021:

€ million	Leased land, rights and buildings, including buildings on third-party land under operating lease	Technical equipment and machines rented as part of operating lease	Other equipment, operating and business furnishing under operating lease	Total
Costs of acquisitions				
Balance at Jan. 1, 2020	–	–	5,477	**5,477**
Foreign exchange differences	–	–	– 430	**– 430**
Changes in consolidated group	–	–	–	**–**
Additions	–	–	2,323	**2,323**
Transfers	–	–	– 11	**– 11**
Disposals	–	–	2,193	**2,193**
Balance at Dec. 31, 2020	**–**	**–**	**5,166**	**5,166**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2020	–	–	1,648	**1,648**
Foreign exchange differences	–	–	– 135	**– 135**
Additions to cumulative depreciation	–	–	743	**743**
Additions to cumulative impairment losses	–	–	127	**127**
Disposals	–	–	814	**814**
Reversal of impairment losses	–	–	17	**17**
Balance at Dec. 31, 2020	**–**	**–**	**1,552**	**1,552**
Carrying amount at Dec. 31, 2020	**–**	**–**	**3,614**	**3,614**
Costs of acquisitions				
Balance at Jan. 1, 2021	–	–	5,166	**5,166**
Foreign exchange differences		–	418	**418**
Changes in consolidated group	–	–	0	**0**
Additions	–	–	2,504	**2,504**
Transfers	–	–	– 28	**– 28**
Disposals	–	–	2,316	**2,316**
Balance at Dec. 31, 2021	**–**	**–**	**5,744**	**5,744**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2021	–	–	1,552	**1,552**
Foreign exchange differences	–	–	129	**129**
Changes in consolidated group	–	–	– 2	**– 2**
Additions to cumulative depreciation	–	–	770	**770**
Additions to cumulative impairment losses	–	–	130	**130**
Disposals	–	–	745	**745**
Reversal of impairment losses	–	–	44	**44**
Balance at Dec. 31, 2021	**–**	**–**	**1,790**	**1,790**
Carrying amount at Dec. 31, 2021	**–**	**–**	**3,954**	**3,954**

The following cash inflows are expected in the coming years from non-discounted expected lease payments outstanding under operating leases:

€ million	2022	2023	2024	2025	2026	From 2027	Total
Dec. 31, 2021							
Lease payments	**178**	**499**	**861**	**192**	**29**	**58**	**1,817**

€ million	2021	2022	2023	2024	2025	From 2026	Total
Dec. 31, 2020							
Lease payments	171	455	686	201	15	53	**1,581**

Breakdown of income from operating leases:

€ million	2021	2020
Lease income	**1,092**	1,054
Income from variable lease payments	**4**	6
Total	**1,096**	**1,060**

2.2 Finance leases

Interest income on the net investment in the lease amounted to €73 million in the fiscal year (prior year: €66 million).

Reconciliation of lease payments from finance leases:

€ million	Dec. 31, 2021	Dec. 31, 2020
Non-guaranteed residual value	**168**	162
Non-discounted lease payments	**1,782**	1,654
Unearned interest income	**– 123**	– 103
Loss allowance on lease receivables	**– 113**	– 108
Other	**–**	–
Net investment	**1,714**	**1,605**

The following payments are expected in the next few years from non-discounted expected lease payments outstanding under finance leases:

€ million	2022	2023	2024	2025	2026	From 2027	Total
Dec. 31, 2021							
Lease payments	**669**	**497**	**439**	**153**	**17**	**7**	**1,782**

€ million	2021	2022	2023	2024	2025	From 2026	Total
Dec. 31, 2020							
Lease payments	661	476	377	122	18	0	**1,654**

[35] FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

1 HEDGING GUIDELINES AND FINANCIAL RISK MANAGEMENT PRINCIPLES

Due to the international activities in the automotive and financial services divisions, changes in exchange rates and interest rates affect the net assets, financial position and results of operations of the Porsche AG group. These risks result in particular from foreign currency transactions in the course of ordinary operations, from financing and from financial investing activities. The risks are regularly monitored, reported and centrally managed using financial instruments. The primary aim of using financial instruments is to limit the financial risk exposures in order to ensure the Porsche AG group's ability to continue as a going concern and its earnings power.

The principles and responsibilities for managing and controlling the risks that could arise from these financial instruments are defined by the Executive Board and monitored by the Supervisory Board. Internal guidelines exist within the Porsche AG group that clearly define the risk management and control processes. These guidelines regulate, among other things, the use of financial instruments or derivatives and the requisite control procedures, such as a clear segregation of functions between trading and settlement. The treasury department identifies, analyzes and monitors risks group-wide. The underlying guidelines and the supporting systems are checked regularly and brought into line with current market and product developments.

Derivative financial instruments are mainly used to control currency and interest rate risks. Currency risks from future sales revenue denominated in foreign currencies are hedged through the use of exchange rate hedging instruments for a period of up to five years. The main hedging instruments used are forward exchange transactions and currency options. The volume of exchange rate hedges is determined on the basis of the planned sales figures in the respective foreign currency, taking into account procurement volumes. The counterparties for the exchange/interest rate hedges are Volkswagen AG and major national and international financial institutions. Cooperation is subject to uniform regulations and continuous monitoring. The interest rate risk from variable-rate financing and the interest rate risk from refinancing the financial services business are largely hedged through the use of suitable derivatives such as interest rate swaps.

Financial instruments are primarily used to reduce financial risks. However, the financial instruments used give rise to potential risks, such as counterparty risks and accounting risks. Channeling excess liquidity into investments also exposes the group to counterparty risks. Partial or complete default by a counterparty would have a negative impact on the net assets, financial position and results of operations. In order to manage these risks, the Porsche AG group has set out guidelines to ensure that transactions are concluded only in approved financial instruments, only with approved counterparties and only on the admissible scale. Accounting risks relating to the financial instruments entered into for hedging purposes also have to be analyzed. The risk of effects on the presentation of results of operations in the income statement is limited by means of hedge accounting.

Default risks in receivables are reduced by means of a strict receivables management system.

2 CREDIT AND DEFAULT RISK

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims from recognized carrying amounts against the respective counterparty. The maximum credit and default risk is reduced by collateral held. Collateral is primarily held for financial assets allocated to the "at amortized cost" category, and comprises vehicles, assets assigned as collateral, guarantees, and cash collateral. For level 3 financial assets with objective indications of impairment as of the reporting date, the collateral held reduces the risk by €1 million (prior year: €2 million).

The counterparties to material cash and capital investments and to derivatives are national and international financial institutions, as well as Volkswagen AG. Risk is also reduced by means of a limit system that is primarily based on credit assessments of the counterparties. The maximum amounts for default risk are presented in section 2.3.

The global allocation of business activities and the resulting diversification meant that there were no material risk concentrations at individual counterparties or counterparty groups in the fiscal year, with the exception of other financial receivables due from Porsche Holding Stuttgart GmbH.

The other financial receivables due from Porsche Holding Stuttgart GmbH mainly relate to loan receivables. There is a direct link between Porsche Holding Stuttgart GmbH's credit rating and that of Volkswagen AG. As long as Volkswagen AG supplies its wholly owned subsidiary Porsche Holding Stuttgart GmbH with sufficient liquidity, the latter can meet its current obligations to the Porsche AG group arising from the liabilities totaling €10,193 million (prior year: €9,951 million).

2.1 Loss allowance

The Porsche AG group applies the expected credit loss model under IFRS 9 on a uniform basis for all financial assets and other risk exposures.

IFRS 9 differentiates between the general approach and the simplified approach. The expected credit loss model under IFRS 9 comprises both loss allowances for financial assets where there are no objective indications of impairment, as well as loss allowances for financial assets that are already impaired.

Under the general approach, financial assets are assigned to one of three stages plus an additional stage for financial assets that were already impaired when acquired (stage 4). Stage 1 comprises financial assets at initial recognition or for which there has not been any significant increase in probability of default. Expected credit losses for the next 12 months are calculated at this stage. Stage 2 comprises financial assets with a significant increase in probability of default, and stage 3 comprises financial assets for which there are objective indications that default will occur. Lifetime expected credit losses are calculated in stages 2 to 4.

The Porsche AG group applies the simplified approach to trade receivables with a significant financing component. The same applies to receivables from operating or finance leases accounted for in accordance with IFRS 16. Under the simplified approach, expected credit losses are calculated consistently over the entire life of the asset.

The tables below present a reconciliation of gross receivables and loss allowances for the different classes of financial assets.

Changes in the gross carrying amounts of financial assets measured at amortized cost for the period from January 1 to December 31, 2021:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2021	17,239	107	21	1,130	**18,497**
Foreign exchange differences	257	8	0	22	**287**
Changes in consolidated group	– 12	–	–	–	**– 12**
Changes	3,450	–	– 5	114	**3,559**
Modification	–	–	–	–	**–**
Transfers to					
Stage 1	41	– 39	– 2	–	**–**
Stage 2	– 23	23	–	–	**–**
Stage 3	– 4	–	4	–	**–**
Carrying amount at Dec. 31, 2021	**20,948**	**99**	**18**	**1,266**	**22,331**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2020	15,190	44	25	912	**16,171**
Foreign exchange differences	– 207	– 8	0	– 25	**– 240**
Changes in consolidated group	37	–	–	– 1	**36**
Changes	2,290	–	– 4	244	**2,530**
Modification	–	–	–	–	**–**
Transfers to					
Stage 1	2	0	– 2	–	**–**
Stage 2	– 71	71	–	–	**–**
Stage 3	– 2	–	2	–	**–**
Carrying amount at Dec. 31, 2020	**17,239**	**107**	**21**	**1,130**	**18,497**

Changes in the loss allowance for financial assets measured at amortized cost for the period from January 1 to December 31, 2021:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2021	29	12	18	35	**94**
Foreign exchange differences	2	1	0	0	**3**
Changes in consolidated group	0	–	–	–	**0**
Newly extended/purchased financial assets (additions)	13	–	–	6	**19**
Other changes within a stage	–	–	1	0	**1**
Transfers to					
Stage 1	5	– 4	– 1	–	**–**
Stage 2	– 1	1	–	–	**–**
Stage 3	– 4	–	4	–	**–**
Financial instruments derecognized during the period (disposals)	0	–	– 7	– 7	**– 14**
Utilization	–	–	– 2	– 1	**– 3**
Carrying amount at Dec. 31, 2021	**44**	**10**	**13**	**33**	**100**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2020	22	4	17	32	**75**
Foreign exchange differences	– 1	0	– 1	0	**– 2**
Changes in consolidated group	0	–	–	0	**0**
Newly extended/purchased financial assets (additions)	22	–	–	10	**32**
Other changes within a stage	0	–	12	–	**12**
Transfers to					
Stage 1	0	0	0	–	**0**
Stage 2	– 8	8	–	–	**–**
Stage 3	– 2	0	2	–	**0**
Financial instruments derecognized during the period (disposals)	– 4	–	– 8	– 6	**– 18**
Utilization	–	–	– 4	– 1	**– 5**
Carrying amount at Dec. 31, 2020	**29**	**12**	**18**	**35**	**94**

Changes in the gross carrying amounts of lease receivables for the period from January 1 to December 31, 2021:

€ million	Simplified approach
Carrying amount at Jan. 1, 2021	**1,726**
Foreign exchange differences	**– 1**
Changes in consolidated group	**–**
Changes	**116**
Carrying amount at Dec. 31, 2021	**1,841**

	Simplified approach
Carrying amount at Jan. 1, 2020	1,649
Foreign exchange differences	– 6
Changes in consolidated group	–
Changes	83
Carrying amount at Dec. 31, 2020	**1,726**

Changes in the loss allowance for lease receivables for the period from January 1 to December 31, 2021:

€ million	Simplified approach
Carrying amount at Jan. 1, 2021	**108**
Foreign exchange differences	**0**
Changes in consolidated group	**–**
Newly extended/purchased financial assets (additions)	**29**
Other changes within a stage	**–**
Financial instruments derecognized during the period (disposals)	**– 7**
Utilization	**– 16**
Carrying amount at Dec. 31, 2021	**114**

	Simplified approach
Carrying amount at Jan. 1, 2020	109
Foreign exchange differences	0
Changes in consolidated group	–
Newly extended/purchased financial assets (additions)	32
Other changes within a stage	–
Financial instruments derecognized during the period (disposals)	– 15
Utilization	– 18
Carrying amount at Dec. 31, 2020	**108**

The gross carrying amount of the financial guarantees and credit commitments totals €72 million (prior year: €72 million). The loss allowance set up amounts to €0 million as of December 31, 2021 (prior year: €0 million).

2.2 Modifications

There were no contractual modifications of financial assets during the reporting period that would not have led to the financial assets being derecognized.

2.3 Maximum credit risk

The table below shows the maximum credit risk to which the Porsche AG group is exposed, broken down into the classes to which the impairment model is applied:

€ million	Dec. 31, 2021	Dec. 31, 2020
Financial instruments measured at fair value	–	–
Financial instruments measured at amortized cost	**22,233**	18,403
Financial guarantees and credit commitments	**72**	72
Not allocated to a measurement category	**1,727**	1,618
Total	**24,032**	**20,093**

The credit risk presented in the category "Financial guarantees and credit commitments" relate to a syndicated loan agreement with a total credit commitment of €145 million. The total credit commitment is split into facilities A to C, with a term of up to 5 years (facilities A and B) or more than 5 years (facility C). Under this loan agreement, Porsche AG acts as guarantor for maximum utilization of up to €37.5 million (facilities A and B) and €35 million (facility C), respectively.

The category "not allocated to a measurement category" combines lease receivables pursuant to IFRS 16 of €1,714 million (prior year: €1,605 million) as well as receivables under long-term construction contracts pursuant to IFRS 15 of €13 million (prior year: €13 million). The maximum credit risk from financial instruments where the impairment model is not applied corresponds to the carrying amounts of these instruments and is described in notes [20] and [34].

2.4 Rating categories

The Porsche AG group examines the credit standing of the borrower for every loan and lease agreement. It uses scoring systems in the retail business, and rating systems for major customers and receivables from dealer financing. Receivables rated as "good" are allocated to credit risk rating grade 1. Receivables from customers whose credit rating is not "good" but have not yet defaulted are allocated to credit risk rating grade 2. All defaulted receivables are allocated to credit risk rating grade 3.

The table below shows the gross carrying amounts of financial assets by rating grade as of December 31, 2021.

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2021					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	20.949	–	–	3.091	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	99	–	4	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	18	11	–
Total	**20.949**	**99**	**18**	**3.106**	**–**

	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2020					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	17.240	–	–	2.833	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	107	–	12	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	21	10	–
Total	**17.240**	**107**	**21**	**2.855**	**–**

3 LIQUIDITY RISK

The solvency and liquidity of the Porsche AG group are ensured at all times by rolling liquidity planning, a cash liquidity reserve, confirmed credit lines and loans.

There is a master loan agreement with the Volkswagen group for a line of €4,000 million (amount drawn: €0 million; prior year: €0 million).

In certain countries (e.g., China), the Porsche AG group can only use local cash funds for cross-border transactions pursuant to exchange controls. There are no other material restrictions.

The following overview shows the contractual undiscounted cash outflows from financial instruments:

€ million	Remaining contractual maturities Within one year	Within one to five years	In more than five years	Total
Dec. 31, 2021				
Financial liabilities	3,249	5,942	1,160	**10,351**
Trade payables	2,447	–	–	**2,447**
Other financial liabilities	2,813	258	–	**3,071**
Derivative financial instruments	16,913	13,677	–	**30,590**
	25,422	**19,877**	**1,160**	**46,459**
Dec. 31, 2020				
Financial liabilities	2,788	4,654	1,619	**9,061**
Trade payables	2,335	–	–	**2,335**
Other financial liabilities	2,750	172	–	**2,922**
Derivative financial instruments	11,145	7,889	9	**19,043**
	19,018	**12,715**	**1,628**	**33,361**

The maturities of the financial guarantees are presented in section 2.3.

The cash outflows from other financial liabilities include liabilities for tax allocations amounting to €636 million (prior year: €642 million).

Derivatives comprise both cash outflows from derivatives with negative fair values and cash outflows from derivatives with positive fair values for which gross settlement has been agreed. The cash outflows also include derivatives entered into by means of offsetting transactions. The cash outflows from derivatives for which gross settlement has been agreed are partly offset by cash inflows that are not taken into consideration in this maturity analysis. If these cash inflows were taken into account, the cash outflows presented would be significantly lower. This is particularly true of hedges entered into by means of offsetting transactions.

The Porsche AG group mainly generates liquidity through its business operations, external financing and the securitization of receivables. The funds are chiefly used to finance net working capital and capital expenditures and to cover the finance requirements of the leasing and sales financing business. Operational liquidity management uses cash pools in which material cash and cash equivalents in the Porsche AG group are pooled on a daily basis. There is also a cash pool with Volkswagen AG to make efficient use of the excess liquidity of Porsche AG. This enables liquidity surpluses and shortfalls to be controlled in line with requirements. The maturities of financial assets and financial liabilities as well as forecasts of cash flows from operating activities are included in short and medium-term liquidity management.

4 MARKET RISK

4.1 Hedging policy and financial derivatives

During the course of its general business activities, the Porsche AG group is exposed to foreign currency, interest rate and residual value risks, as well as risks relating to shares, bonds and commodity prices. It is company policy to exclude or limit these risks where possible by entering into hedging transactions. All necessary hedging transactions are executed or coordinated centrally by the treasury department.

4.1.1 Disclosures on gains and losses from cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in future cash flows. These cash flows can result from a recognized asset or liability, as well as a highly probable forecast transaction. The table below shows the gains and losses from cash flow hedges by risk type:

€ million	2021	2020
Interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**17**	– 1
Recognized in profit or loss	**0**	0
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**–**	–
Due to realization of the hedged item	**4**	– 1
Currency risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**– 1,358**	633
Recognized in profit or loss	**1**	– 1
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**0**	1
Due to realization of the hedged item	**343**	166
Combined interest rate and currency risk hedging		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**1**	– 1
Recognized in profit or loss	**–**	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**–**	–
Due to realization of the hedged item	**–**	–

The effects on equity shown in the table are net of deferred taxes.

The gains or losses on changes in the fair value of hedging instruments included in hedge accounting correspond to the basis for determining hedge ineffectiveness. The ineffective portion of cash flow hedges is the income or expense from changes in the fair value of the hedging instrument that exceeds the changes in the fair value of the hedged item. This hedge ineffectiveness arises due to differences in parameters between the hedging instrument and the hedged item. The respective income or expenses are recognized in other operating income or expenses and in the financial result.

The Porsche AG group uses two different methods to present market risk from non-derivative and derivative financial instruments in accordance with IFRS 7. For quantitative risk measurement, the financial services division uses a value-at-risk (VaR) model to measure interest rate and currency risk. By contrast, the residual value risk in the financial services division and market risk in the automotive division are determined using a sensitivity analysis. The VaR calculation indicates the extent of the maximum potential loss on the overall portfolio within a time horizon of 10 days at a confidence level of 99 per cent. It is based on aggregating all of the cash flows from the non-derivative and derivative financial instruments in an interest rate gap analysis. The historical market data used to calculate VaR covers a period of 521 trading days. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risk.

4.1.2 Disclosures on hedging instruments used in hedge accounting

The Porsche AG group enters into hedging instruments to hedge its exposure to variability in future cash flows. The table below shows the notional amounts, fair values, and inputs used to determine the ineffectiveness of the hedging instruments included in cash flow hedges:

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2021				
Hedging interest rate risk				
Interest rate swaps	6,665	21	1	19
Hedging currency risk				
Currency forwards/Cross-currency swaps	27,731	116	991	– 518
Currency options	19,645	74	142	– 23
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	101	0	4	– 3

	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2020				
Hedging interest rate risk				
Interest rate swaps	4,795	1	15	– 14
Hedging currency risk				
Currency forwards/Cross-currency swaps	17,049	468	139	1,049
Currency options	14,556	201	47	49
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	145	8	15	– 6

The change in fair value presented in the table to calculate ineffectiveness corresponds to the change in fair value of the designated components.

4.1.3 Disclosures on hedged items used in hedge accounting

In addition to disclosures on the hedging instruments, disclosures must also be made on the hedged items, broken down by risk category and type of designation in hedge accounting. The table below lists the hedged items included in cash flow hedges:

€ million	Fair value changes to determine hedge ineffectiveness	Reserve for Active cash flow hedges	Reserve for Discontinued cash flow hedges
Dec. 31, 2021			
Hedging interest rate risk			
Designated components	21	– 16	–
Undesignated components	–	–	–
Deferred taxes	–	4	–
Total hedging interest rate risk	**21**	**– 12**	**–**
Hedging currency risk			
Designated components	– 543	533	–
Undesignated components	–	486	–
Deferred taxes	–	– 306	–
Total hedging currency risk	**– 543**	**713**	**–**
Combined interest rate and currency risk hedging			
Designated components	– 4	0	–
Undesignated components	–	–	–
Deferred taxes	–	0	–
Total hedging combined interest rate and currency risk	**– 4**	**0**	**–**

	Fair value changes to determine hedge ineffectiveness	Reserve for Active cash flow hedges	Reserve for Discontinued cash flow hedges
Dec. 31, 2020			
Hedging interest rate risk			
Designated components	– 15	13	–
Undesignated components	–	–	–
Deferred taxes	–	– 4	–
Total hedging interest rate risk	**– 15**	**9**	**–**
Hedging currency risk			
Designated components	1,104	– 1,095	–
Undesignated components	–	664	–
Deferred taxes	–	129	–
Total hedging currency risk	**1,104**	**– 302**	**–**
Combined interest rate and currency risk hedging			
Designated components	– 7	1	–
Undesignated components	–	–	–
Deferred taxes	–	0	–
Total hedging combined interest rate and currency risk	**– 7**	**1**	**–**

4.1.4 Changes in the reserve

The accounting treatment of cash flow hedges requires that the designated effective portions of hedges be recognized in equity (OCI I). Any excess changes in the fair value of the designated component are recognized through profit or loss as hedge ineffectiveness. The table below shows the changes in the reserve:

€ million	Interest rate risk	Currency risk	Interest rate/currency risk	Total
Balance at Jan. 1, 2021	– 9	767	– 1	**757**
Gains or losses from effective hedging relationships	17	– 1,084	1	**– 1,066**
Reclassifications due to changes in whether the hedged item is expected to occur	–	0	–	**0**
Reclassifications due to realization of the hedged item	4	– 56	–	**– 52**
Reclassification of expected uncollectable losses recognized in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2021	**12**	**– 373**	**0**	**– 361**

	Interest rate risk	Currency risk	Interest rate/currency risk	Total
Balance at Jan. 1, 2020	– 7	– 12	0	– 19
Gains or losses from effective hedging relationships	– 1	976	– 1	974
Reclassifications due to changes in whether the hedged item is expected to occur	–	– 7	–	– 7
Reclassifications due to realization of the hedged item	– 1	– 190	–	– 191
Reclassification of expected uncollectable losses recognized in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2020	**– 9**	**767**	**– 1**	**757**

In general, changes in the fair value of the non-designated components of a derivative must likewise immediately be recognized in profit or loss. An exception to this principle are fair value changes in the non-designated time values of options, to the extent they relate to the hedged item. In addition, the Porsche AG group initially recognizes in equity (OCI II) changes in the fair value of the non-designated forward components of currency forwards and non-designated cross-currency basis spreads (CCBS) on currency hedges used in cash flow hedging. This means that the Porsche AG group only recognizes changes in the fair value of the non-designated components or parts thereof immediately through profit or loss in the case of hedge ineffectiveness. The tables below give an overview of the changes in the reserve for hedging costs resulting from the non-designated portions of options and currency hedges.

Changes in the reserve for non-designated time value of options for the period from January 1 to December 31, 2021:

€ million	Currency risk
Balance at Jan. 1, 2021	**36**
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	**– 146**
Hedged item is recognized in a time-period	**–**
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	**25**
Hedged item is recognized in a time-period	**–**
Balance at Dec. 31, 2021	**– 85**

	Currency risk
Balance at Jan. 1, 2020	– 36
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	31
Hedged item is recognized in a time-period	–
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	41
Hedged item is recognized in a time-period	–
Balance at Dec. 31, 2020	**36**

Changes in the reserve for non-designated forward components and cross-currency basis spreads (CCBS) for the period from January 1 to December 31, 2021:

€ million	Currency risk
Balance at Jan. 1, 2021	**– 501**
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	**– 128**
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	**374**
Reclassification due to changes in whether the hedged item is expected to occur	
Hedged item is recognized at a point in time	**0**
Balance at Dec. 31, 2021	**– 255**

	Currency risk
Balance at Jan. 1, 2020	– 451
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	– 373
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	315
Reclassification due to changes in whether the hedged item is expected to occur	
Hedged item is recognized at a point in time	8
Balance at Dec. 31, 2020	**– 501**

4.2 Market risk in the financial services division

4.2.1 Interest rate risk

Interest rate risk in the financial services division mainly results from changes in market interest rates, primarily for medium- and long-term floating-rate liabilities and from non-maturity-matched refinancing. This risk is reduced by entering into interest rate hedges and cross-currency interest rate swaps.

As of December 31, 2021, the VaR for interest rate risk amounted to €19 million (prior year: €3 million).

4.2.2 Currency risk

Currency risk in the financial services division mainly results from assets denominated in a currency other than the functional currency, and from refinancing as part of operating activities.

As of December 31, 2021, the VaR for currency risk amounted to €3 million (prior year: €4 million).

4.2.3 Residual value risks

The residual value risk inherent in the leasing business results from a negative deviation between the residual value calculated when the agreement is concluded and the market value of the leased vehicle when it is sold following expiry of the agreed lease period.

In some markets, such as North America and to some extent in Germany, this residual value risk is borne by Porsche financial services companies. The market price of used vehicles constitutes the key risk variable in this context. Operational risk management is provided via ongoing monitoring of the development of used vehicle prices by means of data available outside the company. Residual value forecasts are used to check the appropriateness of the loss allowance and the residual value risk potential. The effects on profit after tax arising from a change in used vehicle prices are quantified using a sensitivity analysis.

If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10 per cent higher as of December 31, 2021, profit after tax would have been €23 million (prior year: €18 million) higher. If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10 per cent lower as of December 31, 2021, profit after tax would have been €23 million (prior year: €18 million) lower.

4.3 Market risk in the automotive division

4.3.1 Interest rate risk

Interest rate risk in the automotive division results from changes in market interest rates, primarily for medium- and long-term interest-bearing receivables and liabilities. Floating-rate items are included in cash flow hedges and – depending on the market situation – some are hedged by means of interest rate swaps.

In the automotive division, interest rate risk within the meaning of IFRS 7 is calculated using sensitivity analyses. The effect of risk-variable market interest rates on the financial result and equity are presented net of tax.

If market interest rates had been 100 bps higher as of December 31, 2021, equity would have been €0 million (prior year: €0 million) lower. If market interest rates had been 100 bps lower as of December 31, 2021, equity would have been €0 million (prior year: €0 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2021, profit after tax would have been €10 million lower (prior year: €4 million). If market interest rates had been 100 bps lower as of December 31, 2021, profit after tax would have been €8 million higher (prior year: €5 million).

4.3.2 Currency risk

Currency risk in the automotive division mainly results from operating activities, as well as investments and financing operations. Currency forwards and currency options are used to reduce currency risk. They are used to hedge the exchange rates for all material payments made in the course of general business operations that are not denominated in the functional currency of the respective company.

In 2021, hedges were entered into in the following currencies as part of currency risk management: Australian dollar (AUD), Brazilian real (BRL), British pound sterling (GBP), Canadian dollar (CAD), Chinese renminbi (CNY), Hong Kong dollar (HKD), Japanese yen (JPY), Mexican peso (MXN), Polish zloty (PLN), Russian ruble (RUB), Singapore dollar (SGD), South Korean won (KRW), Swedish krona (SEK), Swiss franc (CHF), Taiwan dollar (TWD), and US dollar (USD).

All non-functional currencies in which the Porsche AG group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currency euro had appreciated or depreciated by 10 per cent against the other currencies, this would have resulted in the following effects on the hedging reserve in equity and profit after tax for the following currency pairs. It is not expedient to add up the individual values, since the results are based on different scenarios depending on the functional currency.

The table below shows the sensitivities as of December 31, 2021 with respect to the key currencies held.

€ million	Dec. 31, 2021 +10 %	– 10 %	Dec. 31, 2020 +10 %	– 10 %
Exchange rate				
EUR / USD				
Hedging reserve	734	– 733	641	– 562
Profit/loss after tax	– 16	16	– 25	25
EUR / TWD				
Hedging reserve	66	– 66	42	– 42
Profit/loss after tax	– 5	5	– 3	3
EUR / MXN				
Hedging reserve	5	– 5	5	– 5
Profit/loss after tax	–	–	–	–
EUR / PLN				
Hedging reserve	18	– 18	25	– 25
Profit/loss after tax	– 1	1	–	–
EUR / GBP				
Hedging reserve	204	– 204	126	– 121
Profit/loss after tax	– 10	10	– 4	4
EUR / CNY				
Hedging reserve	750	– 849	364	– 321
Profit/loss after tax	– 90	90	– 84	84
EUR / CHF				
Hedging reserve	93	– 104	76	– 76
Profit/loss after tax	– 2	2	– 1	1
EUR / SEK				
Hedging reserve	36	– 36	32	– 33
Profit/loss after tax	– 2	2	–	–
EUR / HKD				
Hedging reserve	15	– 15	14	– 13
Profit/loss after tax	– 1	1	–	–
EUR / RUB				
Hedging reserve	15	– 15	16	– 16
Profit/loss after tax	– 3	3	– 2	2
EUR / SGD				
Hedging reserve	4	– 4	2	– 2
Profit/loss after tax	–	–	–	–
EUR / KRW				
Hedging reserve	60	– 59	44	– 43
Profit/loss after tax	– 9	9	– 11	11
EUR / CAD				
Hedging reserve	92	– 93	54	– 48
Profit/loss after tax	– 3	3	– 2	2
EUR / JPY				
Hedging reserve	75	– 67	80	– 74
Profit/loss after tax	– 6	6	– 12	12
EUR / AUD				
Hedging reserve	62	– 61	44	– 44
Profit/loss after tax	– 8	8	– 4	4
EUR / BRL				
Hedging reserve	5	– 5	2	– 2
Profit/loss after tax	– 1	1	– 1	1

4.3.3 Equity and bond price risks

The special fund launched using surplus liquidity, UI-356, is exposed in particular to equity and bond price risk that may arise from fluctuations in quoted market prices, stock exchange indices and market interest rates. The risks to which the special fund is exposed are generally countered by the Porsche AG group by ensuring a broad diversification across a range of products, issuers and regional markets when making investment decisions, as stipulated in the investment policy. The risk management system in place is based on a minimum value threshold and, if the market situation is appropriate, exchange rate hedges are entered into.

IFRS 7 stipulates that the presentation of market risk must include disclosures on how hypothetical changes in risk variables impact the price of financial instruments. The risk variables include in particular quoted market prices or indices, as well as interest rate changes as a bond pricing parameter.

If share prices had been 10 per cent higher as of December 31, 2021, profit after tax would have been €31 million (prior year: €19 million) higher. If share prices had been 10 per cent lower as of December 31, 2021, profit after tax would have been €40 million (prior year: €27 million) lower.

5 METHODS FOR MONITORING HEDGE EFFECTIVENESS

Since transitioning to IFRS 9, the Porsche AG group mainly assesses the effectiveness of hedges on a prospective basis using the critical terms match method. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method. Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

For this purpose, cumulative changes in the value of the designated spot component of the hedging instrument and the hedged item are compared. If there is no critical terms match, the same procedure is applied to the non-designated component.

The table below shows the remaining maturities profile of the notional amounts of hedging instruments recognized under the Porsche AG group hedge accounting requirements, as well as derivatives not included in hedge accounting:

€ million	Term to maturity: Up to one year	Term to maturity: within one to five years	Term to maturity: over five years	Total notional amount Dec. 31, 2021	Total notional amount Dec. 31, 2020
Notional amount of hedging instruments					
Hedging interest rate risk					
Interest rate swaps	3,040	3,625	–	**6,665**	4,795
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in CNY	6,220	2,365	–	**8,585**	3,737
Currency forwards/Cross-currency swaps in USD	3,136	6,228	–	**9,364**	6,720
Currency forwards/Cross-currency swaps in GBP	1,286	1,655	–	**2,941**	1,701
Currency forwards/Cross-currency swaps in other currencies	2,525	4,316	–	**6,841**	4,891
Currency options					
Currency options in CNY	6,122	4,174	–	**10,296**	3,986
Currency options in USD	3,357	2,739	–	**6,096**	6,517
Currency options in other currencies	1,589	1,664	–	**3,253**	4,053
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	69	32	0	**101**	145
Notional amount of other derivatives					
Hedging interest rate risk					
Interest rate swaps	204	562	0	**766**	662
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards[1]	4,441	0	0	**4,441**	2,895

[1] The prior-year figures were adjusted.

In addition to the other derivatives used to hedge currency and interest rate risk, as presented above, on the December 31, 2021 reporting date the group held credit swaps with a notional amount of €7 million (prior year: €0 million) and remaining maturity of 4-5 years. The group also held equity futures (€116 million; prior year: €88 million), fixed income futures (€257 million; prior year: €94 million), other swaps (€51 million; prior year: €0 million), currency futures of €14 million (prior year: €0 million), currency options (€144 million; prior year: €0 million) and equity swaps (€0 million; prior year: €32 million) with a remaining maturity of under one year, as well as equity swaps (€153 million; prior year: €0 million) with a remaining maturity of 3-4 years and equity swaps (€0 million; prior year: €145 million) with a remaining maturity of 4-5 years.

With respect to the interest rate swaps and cross-currency interest rate swaps presented above, the Porsche AG group achieved an average hedging interest rate of 0.2 per cent (prior year: 0.3 per cent) and 0.8 per cent (prior year: 1.1 per cent), respectively, weighted by total notional amount.

With respect to the currency forwards and currency options, the Porsche AG group achieved a hedging exchange rate for the material currencies of 7.82 and 7.70, respectively (EUR/CNY; prior year: 8.07 and 7.88, respectively), 0.88 (EUR/GBP; prior year: 0.90) and 1.18 and 1.15, respectively (EUR/USD; prior year: 1.20 and 1.15, respectively), weighted by total notional amount.

The total notional amount includes both derivatives entered into by means of offsetting transactions, as well as the offsetting transactions themselves. The offsetting transactions partly offset effects resulting from the original hedge, meaning that the respective notional amount would be significantly higher were the offsetting transaction not taken into account.

Another effect that increases the notional amount results from cylinder options, where both the put and call options are taken into consideration in the notional amount.

The hedged items in cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges presented in the table.

The market values of the derivatives are determined using market data on the reporting date and suitable valuation techniques. The calculation was based on the following interest rate structure:

%	EUR	USD	GBP	CHF	JPY
Dec. 31, 2021					
Interest rate for 6 months	– 0.58	0.19	0.49	– 0.71	– 0.04
Interest rate for 1 year	– 0.51	0.39	0.76	– 0.67	– 0.04
Interest rate for 5 years	0.02	1.12	1.05	– 0.23	– 0.01
Interest rate for 10 years	0.30	1.31	0.95	0.10	0.08
Dec. 31, 2020					
Interest rate for 6 months	– 0.47	0.18	0.01	– 0.73	– 0.15
Interest rate for 1 year	– 0.52	0.18	– 0.01	– 0.73	– 0.10
Interest rate for 5 years	– 0.46	0.43	0.19	– 0.56	– 0.04
Interest rate for 10 years	– 0.27	0.92	0.40	– 0.29	0.05

Given its use of interest rate swaps and cross-currency interest rate swaps for hedging purposes, the IBOR reform exposes Porsche AG to uncertainties with respect to timing, the amount of IBOR-based cash flows and the risk to which the hedged item and hedging instrument are exposed. Porsche AG applies the practical expedients provided for in the amendments to the accounting standards for all hedges affected by the above uncertainties relating to the IBOR reform, irrespective of the remaining terms of the hedged items and hedging instruments included in the hedging relationships.

The uncertainties relate to the USD LIBOR and CAD CDOR reference rates.

In cash flow hedges used to hedge the risk of changes in future cash flows, the uncertainty relates to the highly probable expectation of hedged variable future cash flows.

The likely effects of the IBOR reform are assessed on an ongoing basis. The necessary transition measures have already been implemented for the reference interest rates mentioned above. By modifying systems and processes, these measures ensure that the new reference rates can replace those superseded by the IBOR reform in a timely manner.

The notional amounts of hedging instruments affected by the above uncertainties surrounding the IBOR reform amount to €4,823 million (prior year: €3,212 million) for USD LIBOR and €202 million (prior year: €108 million) for CAD CDOR.

6 OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

6.1 Carrying amounts of financial instruments by measurement category

The table below shows the carrying amounts of financial instruments by measurement category.

€ million	Dec. 31, 2021	Dec. 31, 2020
Financial assets measured at fair value through profit or loss	**1,280**	846
Financial assets measured at fair value through other comprehensive income (debt instruments)	**–**	–
Financial assets measured at fair value through other comprehensive income (equity instruments)	**62**	75
Financial instruments measured at amortized cost	**22,233**	18,404
Financial liabilities measured at fair value through profit or loss	**17**	70
Financial liabilities measured at amortized cost	**14,227**	12,654

The measurement category "financial assets measured at fair value through other comprehensive income (equity instruments)" contains equity investments in unlisted companies in which the Porsche AG group holds between 0.03 per cent and 13.27 per cent of the shares. As these are long-term equity investments, they are irrevocably measured at fair value through other comprehensive income.

The fair values recognized as of December 31, 2021 relate to the shares in Tactile Mobility Ltd., Haifa (€10 million; prior year: €0 million), Urgent.ly Inc., Vienna/VA (€7 million; prior year: €7 million), Customcells Holding GmbH, Itzehoe (€6 million; prior year: €0 million), RSE Markets, Inc., New York/NY (€5 million; prior year: €2 million), DSP Concepts, Inc., Santa Clara/CA (€5 million; prior year: €2 million), WayRay AG, Zurich (€0 million; prior year: €18 million) as well as other smaller equity investments (€29 million; prior year: €9 million). The shares in Rimac Automobili D.O.O., Sveta Nedelja (€148 million; prior year: €30 million) and Greyp bikes D.O.O., Brezje (€14 million; prior year: €7 million) were increased and the companies are included as associates.

6.2 Classes of financial instruments

The Porsche AG group allocates financial instruments to the following classes:

- financial instruments measured at fair value
- financial instruments measured at amortized cost
- derivative financial instruments included in hedge accounting
- not allocated to any measurement category
- Credit commitments and financial guarantees (not recognized in the statement of financial position)

6.3 Reconciliation of items in the statement of financial position to the classes of financial instruments

The table below presents a reconciliation of the line items in the statement of financial position to the classes of financial instruments, broken down by the carrying amounts and fair values of the financial instruments.

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	**STATEMENT OF FINANCIAL POSITION ITEM AT DEC. 31, 2021**
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	573	**573**
Other equity investments	142	–	–	–	171	**313**
Financial services receivables	–	2,330	2,402	–	1,131	**3,461**
Other financial assets	147	8,301	9,009	148	–	**8,596**
Current assets						
Trade receivables	–	1,199	1,199	–	–	**1,199**
Financial services receivables	–	497	497	–	584	**1,081**
Other financial assets	71	5,219	5,219	63	–	**5,353**
Securities	982	–	–	–	–	**982**
Cash, cash equivalents and time deposits	–	4,686	4,686	–	–	**4,686**
Non-current liabilities						
Financial liabilities	–	5,643	5,680	–	956	**6,599**
Other financial liabilities	1	259	259	373	–	**633**
Current liabilities						
Financial liabilities	–	3,021	3,021	–	107	**3,128**
Trade payables	–	2,447	2,447	–	–	**2,447**
Other financial liabilities	16	2,857	2,857	765	–	**3,638**

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	STATEMENT OF FINANCIAL POSITION ITEM AT DEC. 31, 2020
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	167	**167**
Other equity investments	105	–	–	–	112	**217**
Financial services receivables	–	1,393	1,451	–	1,021	**2,414**
Other financial assets	54	8,281	9,004	535	–	**8,870**
Current assets						
Trade receivables	–	1,081	1,081	–	–	**1,081**
Financial services receivables	–	538	538	–	584	**1,122**
Other financial assets	7	2,611	2,611	143	–	**2,761**
Securities	755	–	–	–	–	**755**
Cash, cash equivalents and time deposits	–	4,500	4,500	–	–	**4,500**
Non-current liabilities						
Financial liabilities	–	4,795	4,873	–	873	**5,668**
Other financial liabilities	6	173	173	106	–	**285**
Current liabilities						
Financial liabilities	–	2,566	2,566	–	91	**2,657**
Trade payables	–	2,335	2,335	–	–	**2,335**
Other financial liabilities	64	2,785	2,785	110	–	**2,959**

The fair value of financial instruments accounted for at amortized cost, such as receivables and liabilities, is determined by means of discounting using a market interest rate that reflects the risks involved and when the outflow is due. For reasons of materiality, fair value is adopted as the carrying amount for current items in the statement of financial position.

For the reconciliation to the carrying amounts in the statement of financial position, the "Not allocated to a measurement category" column in the table also includes items that are not financial instruments.

The key risk variables for the fair values of receivables are risk-adjusted interest rates.

Financial instruments measured at fair value also include shares in partnerships and corporations.

The other financial assets include loan receivables due from Porsche Holding Stuttgart GmbH in the amount of €8,135 million (prior year: €8,135 million). The loan currently has a term until November 30, 2022 and is automatically extended by one year if it is not terminated by August 31, 2022 at the latest. As the medium-term planning approved by the boards does not include the termination of the loan as of August 31, 2022, the board of management of Porsche AG has assumed a minimum term of two years when calculating the fair value.

6.4 Fair values of financial assets and liabilities

Fair values are allocated to the levels of the fair value hierarchy based on the availability of observable market prices. Level 1 shows the fair values of financial instruments where a quoted price is directly available on active markets. This includes securities issued by the Porsche AG group. Fair values in level 2, such as derivatives, are derived from market data using market valuation techniques. These market data include in particular currency exchange rates and yield curves which are observable on the relevant markets and can be obtained from pricing service providers. Level 3 fair values are calculated using valuation techniques with inputs that are not based on directly observable market data. In particular, the Porsche AG group allocated options on equity instruments to level 3. Equity instruments are primarily measured on the basis of the respective business plans and entity-specific discount rates.

Financial assets and liabilities measured at fair value by level:

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	**142**	0	–	142
Financial services receivables	**–**	–	–	–
Other financial assets	**147**	–	87	60
Current assets				
Trade receivables	**–**	–	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**71**	–	70	1
Securities	**982**	982	–	–
Assets classified as held for sale	**–**	–	–	–
Non-current liabilities				
Other financial liabilities	**1**	–	1	–
Current liabilities				
Other financial liabilities	**16**	–	16	–

	Dec. 31, 2020	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	**105**	0	–	105
Financial services receivables	**–**	–	–	–
Other financial assets	**54**	–	12	42
Current assets				
Trade receivables	**–**	–	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**7**	–	7	–
Securities	**755**	755	–	–
Assets classified as held for sale	**–**	–	–	–
Non-current liabilities				
Other financial liabilities	**6**	–	6	–
Current liabilities				
Other financial liabilities	**64**	–	64	–

The fair values of financial assets and liabilities measured at amortized cost are presented in the following overview. The fair value of receivables from financial services allocated to level 3 is determined using the current market interest rates valid on the reporting date instead of the internal interest rate. The material inputs used to calculate the fair value of receivables from financial services are forecasts and estimates of used vehicle residual values for the respective models. The receivables from financial services also include assets amounting to € 1,714 million (prior year: € 1,605 million) that are measured in accordance with IFRS 16.

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	**2,899**	–	–	2,899
Trade receivables	**1,199**	–	1,199	–
Other financial assets	**14,228**	466	13,762	–
Cash, cash equivalents and time deposits	**4,686**	4,327	359	–
Fair value of financial assets measured at amortized cost	**23,012**	4,793	15,320	2,899
Fair value of financial liabilities measured at amortized cost				
Trade payables	**2,447**	–	2,447	–
Financial liabilities	**8,700**	5	8,695	–
Other financial liabilities	**3,116**	47	2,879	190
Fair value of financial liabilities measured at amortized cost	**14,263**	52	14,021	190

	Dec. 31, 2020	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	**1,989**	–	–	1,989
Trade receivables	**1,081**	–	1,081	–
Other financial assets	**11,615**	408	11,207	0
Cash, cash equivalents and time deposits	**4,500**	4,344	156	–
Fair value of financial assets measured at amortized cost	**19,185**	4,752	12,444	1,989
Fair value of financial liabilities measured at amortized cost				
Trade payables	**2,335**	–	2,335	–
Financial liabilities	**7,439**	0	7,439	–
Other financial liabilities	**2,958**	37	2,761	160
Fair value of financial liabilities measured at amortized cost	**12,732**	37	12,535	160

Derivative financial instruments included in hedge accounting by level:

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	**148**	–	148	–
Current assets				
Other financial assets	**63**	–	63	–
Non-current liabilities				
Other financial liabilities	**373**	–	373	–
Current liabilities				
Other financial liabilities	**765**	–	765	–

	Dec. 31, 2020	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	**535**	–	535	–
Current assets				
Other financial assets	**143**	–	143	–
Non-current liabilities				
Other financial liabilities	**106**	–	106	–
Current liabilities				
Other financial liabilities	**110**	–	110	–

The table below summarizes the changes in items in the statement of financial position measured at fair value and allocated to level 3:

€ million	Financial assets measured at fair value
Balance at Jan. 1, 2021	147
Changes in consolidated group	– 159
Additions (acquisitions)	126
Reclassification from level 2 to level 3	– 14
Total comprehensive income	108
recognized in profit or loss	65
recognized directly in equity	43
Realizations	– 5
Disposal (sales)	0
Balance at Dec. 31, 2021	**203**
Gains or losses recognized in profit or loss	
Other operating profit/loss	0
thereof attributable to assets/liabilities held on the reporting date	0
Financial result	65
thereof attributable to assets/liabilities held on the reporting date	– 6

Balance at Jan. 1, 2020	29
Changes in consolidated group	90
Additions (acquisitions)	19
Reclassification from level 2 to level 3	0
Total comprehensive income	10
recognized in profit or loss	11
recognized directly in equity	– 1
Realizations	– 1
Disposal (sales)	0
Balance at Dec. 31, 2020	**147**
Gains or losses recognized in profit or loss	
Other operating profit/loss	– 1
thereof attributable to assets/liabilities held on the reporting date	– 1
Financial result	12
thereof attributable to assets/liabilities held on the reporting date	1

Transfers between the levels of the fair value hierarchy are generally reported as of the respective reporting dates. There were no transfers between the levels of the fair value hierarchy during the reporting period.

The key risk variable for equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in the risk variable on profit after tax as well as equity. If the assumed enterprise values had been 10 per cent higher as of December 31, 2021, profit after tax would have been €6 million (prior year: €2 million) higher. If the assumed enterprise values had been 10 per cent lower as of December 31, 2021, profit after tax would have been €6 million (prior year: €2 million) lower. If the assumed enterprise values had been 10 per cent higher as of December 31, 2021, equity would have been €4 million (prior year: €5 million) higher. If the assumed enterprise values had been 10 per cent lower as of December 31, 2021, equity would have been €4 million (prior year: €5 million) lower.

The key risk variable for options on equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in the risk variable on profit after tax. If the assumed enterprise values had been 10 per cent higher as of December 31, 2021, profit after tax would have been €4 million (prior year: €3 million) higher. If the assumed enterprise values had been 10 per cent lower as of December 31, 2021, profit after tax would have been €4 million (prior year: €3 million) lower.

6.5 Offsetting financial assets and liabilities

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION		**Net amount at Dec. 31, 2021**
				Financial instruments	Collateral received	
Derivative financial instruments	354	–	354	– 190	–	**164**
Financial services receivables	4,542	–	4,542	–	–	**4,542**
Trade receivables	1,199	–	1,199	–	–	**1,199**
Securities	982	–	982	–	–	**982**
Cash, cash equivalents and time deposits	4,686	–	4,686	–	–	**4,686**
Other financial assets	13,738	–	13,738	–	–	**13,738**

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION		**Net amount at Dec. 31, 2020**
				Financial instruments	Collateral received	
Derivative financial instruments	739	–	739	– 186	–	**553**
Financial services receivables	3,536	–	3,536	–	–	**3,536**
Trade receivables	1,081	–	1,081	–	–	**1,081**
Securities	755	–	755	–	–	**755**
Cash, cash equivalents and time deposits	4,500	–	4,500	–	–	**4,500**
Other financial assets	10,997	–	10,997	–	–	**10,997**

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Financial instruments	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Collateral pledged	**Net amount at Dec. 31, 2021**
Derivative financial instruments	1,156	–	1,156	– 190	–	**966**
Financial liabilities	9,727	–	9,727	–	–	**9,727**
Trade payables	2,447	–	2,447	–	–	**2,447**
Other financial liabilities	3,116	–	3,116	–	–	**3,116**

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Financial instruments	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Collateral pledged	**Net amount at Dec. 31, 2020**
Derivative financial instruments	286	–	286	– 186	–	**100**
Financial liabilities	8,325	–	8,325	–	–	**8,325**
Trade payables	2,335	–	2,335	–	–	**2,335**
Other financial liabilities	2,958	–	2,958	–	–	**2,958**

The tables above present disclosures on the effects of offsetting in the consolidated statement of financial position and the potential financial effect of offsetting in the case of instruments subject to an enforceable master netting arrangement or similar agreement.

The column "Other financial assets" contains other equity investments measured at fair value of € 142 million (prior year: € 105 million).

The "Financial instruments" column presents amounts subject to a master netting arrangement but that are not offset because they do not meet the conditions for offsetting in the statement of financial position. The "Collateral received" and "Collateral pledged" columns present the amounts in relation to the total amount of assets and liabilities received or pledged as collateral in the form of cash or financial instruments that do not meet the conditions for offsetting in the statement of financial position.

6.6 Asset-backed securities transactions

Porsche Financial Services largely uses asset-backed securities transactions to refinance its portfolio of lease and financing agreements. This involves assigning the expected payments to structured financing companies and transferring the financed vehicles are as collateral. Porsche Financial Services makes a distinction here between revolving, non-public facilities with one or a syndicate of refinancing partners and amortizing, public asset-backed securities bonds, which are broadly marketed to investors on the capital market. In the event that asset-backed securities bond issues are not possible to the planned extent on account of unfavorable market conditions, Porsche Financial Services also uses asset-backed, amortizing private placements as the need arises by directly approaching selected major investors as an alternative refinancing instrument.

Transactions in asset-backed securities conducted to refinance the financial services business amounted to €6,418 million (prior year: €4,650 million) and were reported in ABS refinancing. The corresponding carrying amount of the receivables from customer and dealer financing and the finance lease business amounted to €3,662 million (prior year (adjusted): €2,105 million). Collateral totaling €7,365 million (prior year (adjusted): €5,489 million) was provided for transactions in asset-backed securities, of which €3,662 million (prior year: €2,105 million) relates to collateral in the form of financial assets. The transactions in asset-backed securities did not result in the disposal of receivables from the financial services business since del credere and repayment risks were retained within the Porsche AG group. The difference between the pledged receivables and the associated liabilities resulted from the share of vehicles financed within the Porsche AG group.

A majority of the group's asset-backed securities transactions may be repaid ahead of schedule ("clean up call") if a contractually fixed minimum volume (%) regarding the original transaction volume is still outstanding. The pledged receivables may not be pledged further or otherwise serve as collateral. The claims of the bond holders are limited to the amount of the receivables pledged and the proceeds from these receivables are earmarked for repayment of the corresponding liability. As of December 31, 2021, the fair value of the receivables from the financing business that have been pledged but not disposed of amounted to €3,292 million (prior year (adjusted): €1,991 million). The fair value of the associated liabilities as of the reporting date amounted to €2,994 million (prior year (adjusted): €1,811 million).

6.7 Total interest income and expenses

The total interest income attributable to financial assets and liabilities measured at amortized cost, as calculated using the effective interest method, amounted to €560 million (prior year: €519 million) and the total interest expenses amounted to €136 million (prior year: €158 million).

6.8 Net gains/losses from financial instruments

The following table shows the net gains or losses from financial assets and financial liabilities, which is followed by detailed information on the material items.

Net gains/losses from financial assets by IFRS 9 measurement category:

€ million	2021	2020
Financial instruments measured at fair value through profit or loss	**213**	– 73
Financial instruments measured at amortized cost	**597**	410
Financial assets measured at fair value through other comprehensive income (debt instruments)	**–**	–
Financial liabilities measured at amortized cost	**– 33**	10

The net gains or losses in the "financial instruments measured at fair value through profit or loss" category mainly result from the fair value measurement of derivatives, including interest and gains or losses on currency translation.

The net gains or losses in the "financial assets and liabilities measured at amortized cost" category mainly comprise interest income and expenses under the effective interest method pursuant to IFRS 9, currency translation effects, and the recognition of loss allowances. Interest also includes interest income and expenses from the lending business in the financial services division.

[36] CONTINGENT LIABILITIES

€ million	Dec. 31, 2021	Dec. 31, 2020
Guarantees	**2**	3
Warranties	**0**	0
Collateral for third-party liabilities	**–**	–
Other contingent liabilities	**40**	16

No provisions were recognized for contingent liabilities as the probability of occurrence of the risk is remote. The contingent liabilities do not include amounts connected with the diesel issue described in note **[38]**. Further official investigations/proceedings are at a stage where the basis for claims has not yet been specified and/or the amounts cannot be determined with sufficient precision. To the extent that they meet the definition of a contingent liability, these official investigations/proceedings were generally not disclosed due to the lack of measurable data.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of contingent liabilities in connection with administrative investigations, so as not to prejudice the outcome of the proceedings or the company's interests. Further information can be found in note **[38]**.

[37] OTHER FINANCIAL OBLIGATIONS

€ million	Maturity Within one year	Within one to five years	More than five years	Total
Dec. 31, 2021				
Purchase commitments in respect of				
Property, plant and equipment	376	90	–	**466**
Intangible assets	1,327	355	–	**1,682**
Obligations from				
irrevocable credit commitments to customers	–	–	37	**37**
Leasing and rental contracts	32	39	23	**94**
Miscellaneous other financial obligations	183	289	104	**576**
Total	**1,918**	**773**	**164**	**2,855**
Dec. 31, 2020				
Purchase commitments in respect of				
Property, plant and equipment	404	124	–	**528**
Intangible assets	908	91	–	**999**
Obligations from				
irrevocable credit commitments to customers	–	–	–	**–**
Leasing and rental contracts	43	28	8	**79**
Miscellaneous other financial obligations	212	116	17	**345**
Total	**1,567**	**359**	**25**	**1,951**

[38] LITIGATION

In the course of their operating activities, Porsche AG and the companies in which it holds direct or indirect interests are involved in a large number of legal disputes and official proceedings, both in Germany and abroad. Among others, these legal disputes and proceedings relate to or are connected with employees, authorities, services, dealers, investors, customers, products or other contractual partners. They may lead to payments such as fines as well as other obligations and consequences for the companies involved. In particular, substantial compensation or punitive damages may have to be paid and cost-intensive measures may be necessary. It is often not possible, or only to a very limited extent to quantify the specific effects of an objective threat.

In addition, risks may arise in respect of compliance with regulatory requirements. This applies in particular to regulatory gray areas, where Porsche AG or the companies in which it holds direct or indirect interests may make interpretations that differ from those of the competent authorities. Legal risks may also arise due to the criminal actions of individuals, which even the best compliance management system can never fully rule out.

Where doing so was manageable and economically feasible, adequate insurance cover was taken out to cover these risks. For risks that could be identified and measured, appropriate provisions were recognized or disclosures on contingent liabilities were made based on present knowledge. Since some risks cannot be assessed, or only to a limited extent, it cannot be ruled out that significant losses or damage may arise in an amount not covered by the insurance or provisions. This applies in particular to the assessment of legal risks arising from the diesel issue.

DIESEL ISSUE

On November 2, 2015, the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America, Inc.

The notice alleges that certain 3.0 liter V6 Volkswagen group diesel engines are in contravention of the applicable emissions certification standards.

Porsche AG has decided to voluntarily halt sales of the roughly 11,500 3.0 liter V6 US diesel engines affected by the notice of violation pending a decision and recertification by the US authorities.

On January 4, 2016, the US Department of Justice filed a complaint at the request of the EPA against the above companies, among others. In addition, class actions were filed by customers, dealers and investors and proceedings were initiated by further authorities and institutions (including the Department of Justice (civil and criminal), state attorney generals, the Federal Trade Commission and the Customs and Border Protection Agency) over the course of 2016. Porsche AG cooperated with all of the parties involved to clarify the matter.

On January 11, 2017, the US Department of Justice published the agreement with the Volkswagen group, including Porsche AG. The agreement with Porsche AG is limited to civil penalties. Volkswagen AG has signed a hold harmless agreement for the fines. The Porsche AG group will not be supervised by an external monitor. The organizational and process requirements have already been largely addressed in the Porsche remediation plan. On May 11, 2017, the agreement of January 2017 was confirmed by the courts. On October 23, 2017, the US authorities approved the software update submitted for review by the Volkswagen group relating to emissions compliant repair (ECR) for around 38,000 US vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 US Cayenne V6 diesel vehicles began in November 2017. The requisite software update was successfully rolled out in fiscal year 2018. The recall quota specified in the agreement with the US authorities was thus exceeded.

Audi AG has indemnified Porsche AG against the costs of legal risks, litigation, product liability complaints or other third-party complaints relating to the 2013–2016 Porsche Cayennes affected in North America and it was agreed to not plea the statute of limitations until July 31, 2023. Consequently, from today's perspective, it is not expected that the Porsche AG group will be subject to any significant outflow of resources in this regard.

Accordingly, no receivables were recognized for other costs incurred in connection with the diesel issue in North America for which Audi AG has signed a hold harmless agreement as an outflow of resources is not virtually certain. It was agreed to not plea the statute of limitations until July 31, 2023.

For the legal proceedings outside of the US and Canada in connection with the diesel issue, Porsche AG expects - based on previous agreements and accounting practice - that the costs incurred in this connection for legal risks and litigation costs will be borne by Audi AG and will pass the costs on to the latter. No extensive provisions will be recognized for future expected outflows of resources.

In July 2017, the public prosecutor's office in Stuttgart instigated a criminal investigation into the diesel issue against one Executive Board member as well as a total of six employees or former employees of Porsche AG on suspicion of fraud and false advertising. On January 21, 2019, the public prosecutor's office in Stuttgart instigated administrative fine proceedings pursuant to sections 30 and 130 of the German Act on Breaches of Administrative Regulations (Ordnungswidrigkeitsgesetz – OWiG). The administrative offense proceedings initiated against Porsche AG in connection with the diesel issue ended with the fine notice issued by the public prosecutor's office in Stuttgart on May 7, 2019. The fine notice is based on a negligent breach of supervisory duty in the organizational unit Prüffeld Entwicklung Gesamtfahrzeug/Qualität (Overall Vehicle Development/Quality – Testing Facility) or its respective successor organization. The fine notice imposes a total fine of €535 million, comprising a penalty payment of €4 million and the forfeiture of economic benefits amounting to €531 million. After a thorough review, Porsche AG did not appeal the penalty payment, rendering the fine notice legally binding. The fine has been paid in full, thus ending the administrative offense proceedings against Porsche AG. As a consequence, it is highly unlikely that any further penalties or forfeitures will be imposed on Porsche AG in Europe in connection with the uniform circumstances underlying the fine notice.

Furthermore, a number of administrative investigations and proceedings are pending around the world against Porsche AG and its subsidiaries as well as against its executive directors with regard to the diesel issue.

At the end of March 2021, the supervisory board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The board resolved to claim damages from Prof. Dr. Martin Winterkorn, former chair of the board of management of Volkswagen AG, and from Rupert Stadler, former member of the board of management of Volkswagen AG and former chair of the board of management of Audi AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG board of management. The investigation covered all members of the board of management who were in office during the relevant period. In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Dr. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. The Volkswagen AG group has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement). In addition, agreement was reached on damage payments by a former member of Audi AG's board of management and the former member of Porsche AG's executive board, Mr. Wolfgang Hatz (liability settlement). As a result of this liability settlement as well as the coverage settlement, Porsche AG recognized other operating income of €30 million.

OTHER LITIGATION

On August 4, 2017, the Tax Office Stuttgart II – criminal and administrative fines division – instigated administrative fine proceedings against Porsche AG and several current and former members of the Executive Board of Porsche AG. By fine notice issued by the public prosecutor's office in Stuttgart on July 6, 2021, a corporate fine of €40 million was issued to Porsche AG, which was paid in full in the fiscal year. The ruling relates to the allegation of a negligent breach of Supervisory Board duties by unspecified leaders in connection with the tax return obligations of Porsche AG for the years 2009 to 2016. Porsche AG accepted the fine notice and waived its right to appeal. The administrative fine proceedings instigated against current and former members of the Executive Board were discontinued without sanction. The same applies for the investigation of the public prosecutor's office in Stuttgart on account of suspected tax evasion and embezzlement charges against the current and former Executive Board members concerned (discontinuation order of July 6, 2021).

As part of its antitrust investigations in the automotive industry, in April 2019 the European Commission sent a statement of objections to Porsche AG and other German car manufacturers informing the parties of its preliminary assessment of the matter and giving them the opportunity to make a statement. Following entry into a formal settlement procedure, on July 8, 2021 the EU Commission issued a notice imposing a fine of €502 million on the three brands of the Volkswagen group concerned (Volkswagen AG, Audi AG, Porsche AG), for which they are jointly and severally liable. There was no recourse against Porsche AG by Volkswagen AG. The subject matter of the European Commission's decision regarding the fine is the cooperation between car manufacturers regarding the development of technology to purify emissions of diesel passenger cars fitted with SCR systems that were sold in the European Economic Area. The Volkswagen group accepted the fine decision of the EU Commission and has not appealed, thus rendering the decision legally binding.

The Korean antitrust authorities KFTC is analyzing potential breaches based on the EU subject matter. The final report of the case handler responsible at KFTC was issued in November 2021. Volkswagen AG, Audi AG and Porsche AG will issue a response to this. The Turkish antitrust authorities, which have investigated similar matters, issued their final decision in January 2022 finding that there alleged anti-competitive behavior, but that it did not have an impact on Turkey, which is why no fines were imposed on the German car manufacturers. Volkswagen AG, Audi AG and Porsche AG are currently considering whether to appeal. The Chinese antitrust authorities have initiated proceedings against companies including Volkswagen AG, Audi AG and Porsche AG due to similar matters and issued requests for information.

In October 2021, the U.S. Court of Appeal confirmed the ruling of the U.S. District Court for the Northern District of California from October 2020 to reject the class action against Porsche AG and other companies of the Volkswagen group and rejected the plaintiffs' appeal. The plaintiffs had alleged that several car manufacturers had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protection law. The plaintiffs have appealed against the rejection of their appeal. Lawsuits are also pending in Canada against several car manufacturers including Porsche AG and several of its Canadian subsidiaries as well as other Volkswagen group companies with similar allegations on behalf of putative classes of purchasers. Neither provisions nor contingent liabilities were recognized because the early stage of proceedings means that an assessment is currently still not possible. Porsche AG and its subsidiaries will also defend these claims in Canada should the plaintiffs actually take further action.

With regard to vehicles for various markets worldwide, Porsche AG has identified potential regulatory issues. On the one hand, potential issues regarding sport functionalities were determined. These issues further relate to questions of the reliability of specific hardware and software components that were used in typing measurements. In individual cases, there may also be deviations from the series status. Based on the information currently available, this is an historical matter. Based on the information available at the moment, current production is not affected. These issues are not related to the diesel issue. Porsche AG is cooperating with the responsible authorities, including the public prosecutor's office in Stuttgart, which has instigated a criminal investigation against twelve (former) employees at Porsche AG. Administrative fine proceedings were not instigated against the company in Germany. The internal investigations into this matter at Porsche AG are ongoing. To date, six different class actions relating to these issues have been filed in the US (and in Canada as well). According to the statement of claims, software and/or hardware allegedly used in the affected vehicles resulted in actual exhaust emissions and/or fuel consumption being higher than legally permitted. In January 2021, a consolidated complaint was filed combining the six filed class actions into one lawsuit. This will be handled by the US District Court for the Northern District of California. The six lawsuits were originally directed against Porsche AG and its US importer subsidiary, Volkswagen AG as well as Audi AG, although not every company is being sued in all of the cases at hand. In December 2021, a draft settlement comprising the relevant vehicles was negotiated with the plaintiffs' representatives. A corresponding provision was set up for the amount on which the draft settlement is based. The draft settlement is subject, among other things, to court approval. Cooperation and talks with the relevant US authorities (EPA, CARB (California Air Resources Board), DOJ (United States Department of Justice)) are still ongoing.

Porsche AG is also investigating potential issues regarding conformity of production measurements. These issues are not related to the diesel issue. Porsche AG is cooperating with the relevant authorities, including the KBA and the public prosecutor's office in Stuttgart. However, based on the information available, no administrative fine proceedings have been instigated against the company. Internal investigations into this are ongoing.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of provisions and contingent liabilities in connection with material litigation, so as not to prejudice the outcome of the proceedings or the company's interests.

[39] SUBSEQUENT EVENTS

There were no events of significance to the net assets, financial position and results of operations after the end of fiscal year 2021.

[40] REMUNERATION BASED ON PERFORMANCE SHARES (SHARE-BASED PAYMENT)

At the end of 2018, the Supervisory Board of Porsche AG resolved to adjust the Executive Board remuneration system. The new Executive Board remuneration system comprises fixed and variable components. The variable remuneration consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI) in the form of a performance share plan with forward-looking three-year term (share-based payment).

In 2019, the group of persons eligible as performance share plan beneficiaries was expanded to include top managers. The first performance shares were granted to top managers at the beginning of 2019. At the end of 2019, the group of persons eligible as performance share plan beneficiaries was expanded to include all other managers. At the beginning of 2020, the members of management were granted remuneration based on performance shares for the first time.

The performance share plan for top management and the other beneficiaries works in essentially the same way as the performance share plan granted to members of the Executive Board. Upon introduction of the performance share plan, top managers were guaranteed a minimum bonus amount for the first three years based on the remuneration for 2018, while the Executive Board and all other beneficiaries received a guarantee for the first three years based on the remuneration for 2019.

PERFORMANCE SHARES

Under the performance share plan, each performance period lasts three years. For the members of the Executive Board and the top management, upon awarding the LTI the annual target amount under the LTI is converted into performance shares on the basis of the initial reference price of Volkswagen preferred shares and is allocated to the respective beneficiary purely for calculation purposes.

The number of performance shares is allocated on the basis of a three-year, forward-looking performance period in line with the degree of target achievement for the annual earnings per Volkswagen preferred share. Settlement is effected in cash at the end of the performance period. The payment amount corresponds to the final number of determined performance shares multiplied by the closing reference price at the end of the term plus a dividend equivalent.

For all other beneficiaries, the amount paid out is determined by multiplying the target amount by the degree of target achievement for the annual earnings per Volkswagen preferred share and the ratio of the closing reference price at the end of the term plus a dividend equivalent and the initial reference price. Target achievement is based on a three-year performance period with one year of that period relating to future periods. In derogation of this, target achievement for 2020 will initially be based on a forward-looking performance of one year, and for 2021 on a two-year performance period with one year of that period relating to future periods.

For all beneficiaries, the payment amount under the performance share plan is capped at 200 per cent of the target amount; the payment amount is reduced by 20 per cent if the average ratio of capital expenditures or R&D to sales revenue in the automotive area of the group during the performance period is less than 5 per cent.

EXECUTIVE BOARD

		Dec. 31, 2021	Dec. 31, 2020
Total expense of the reporting period	€ million	**7**	9
Carrying amount of the obligation	€ million	**7**	9
Intrinsic value of the obligation	€ million	**6**	9
Fair value at grant date	€ million	**5**	4
Granted performance shares	Number	**56,354**	24,882
of which granted during the reporting period	Number	**31,472**	24,882

TOP-MANAGEMENT

		Dec. 31, 2021	Dec. 31, 2020
Total expense of the reporting period	€ million	**5**	6
Carrying amount of the obligation	€ million	**5**	7
Intrinsic value of the obligation	€ million	**4**	7
Fair value at grant date	€ million	**4**	4
Granted performance shares	Shares	**82,146**	50,855
of which granted during the reporting period	Shares	**31,291**	24,719

MEMBERS OF MANAGEMENT

In the fiscal year, all other beneficiaries were allocated a target amount, based on a target achievement of 100 per cent, of €63 million (prior year: €57 million). As of December 31, 2021, the total carrying amount of the obligation corresponding to the intrinsic value of the liabilities amounted to €83 million (prior year: €67 million). In the reporting period, a total expense of €83 million (prior year: €67 million) was recognized for this amount granted.

[41] RELATED PARTIES

In accordance with IAS 24, transactions with persons or entities that control or significantly influence Porsche AG or are controlled or significantly influenced by it must be disclosed.

As of the reporting date, Porsche AG was a subsidiary of Porsche Holding Stuttgart GmbH, Stuttgart. Since August 1, 2012, Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH have been included in the consolidated financial statements of Volkswagen AG based on the control concept.

There were receivables from and liabilities to Porsche Holding Stuttgart GmbH as of the reporting date (see notes **[19]** Other financial assets and **[29]** Other financial liabilities). Financial services rendered to that company led to interest income of €368 million (prior year: €367 million) while a services received of €0 million (prior year: €0 million) were recognized under interest expenses.

Even after the contribution of Porsche Holding Stuttgart GmbH to Volkswagen AG, the companies of the Porsche SE group are related parties due to the significant influence on Volkswagen AG.

Pursuant to the announcement from January 4, 2022, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft Niedersachsen mbH, Hanover, hold 20.00 per cent of the voting rights in Volkswagen AG on December 31, 2021. Furthermore, the annual general meeting of Volkswagen AG resolved on December 3, 2009 that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

There were supply relationships with the Volkswagen group relating to the vehicle and parts business and from consulting and development services. They were billed on arm's length terms. As of July 1, 2010, Porsche Financial Services Great Britain Ltd. no longer handles the new leases with customers or dealership purchase financing. The new business was transferred to Volkswagen Financial Services (UK) Ltd. under a cooperation agreement. In this context, the Porsche AG group assumes certain residual value risks. Porsche Cars Great Britain Ltd. recognized provisions of €0 million (prior year: €2 million) for these residual value risks.

As part of the transfer of the operating business and, in turn, the transfer of Porsche Holding Stuttgart GmbH by Porsche SE to Volkswagen AG in fiscal year 2012, Porsche SE entered into the following agreements with Volkswagen AG and entities of the Porsche Holding Stuttgart GmbH group in particular:

- Porsche SE holds Porsche AG harmless from tax liabilities (plus interest) and for certain major losses.
- In addition, Porsche SE agreed under certain circumstances to hold Porsche AG and its legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including July 31, 2009 recognized at the level of these entities.
- Porsche SE agreed to hold Porsche AG and its subsidiaries harmless from obligations that go beyond the obligations from periods up until and including December 31, 2011 recognized at the level of these entities. It

was also agreed to allocate any subsequent VAT receivables and/or VAT liabilities arising from transactions up to December 31, 2009 between Porsche AG and Porsche SE to the entity concerned.
- Various conduct, cooperation and information duties were agreed between Porsche AG and Porsche SE.
- Volkswagen AG assumed responsibility for general financing for Porsche AG in the same way as it does for other subsidiaries of Volkswagen AG.

Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control, respectively, over Porsche SE. Therefore, relations with individuals and entities of the Porsche and Piëch families are subject to the disclosure requirements. There were no material supply relationships with the Porsche and Piëch families and their affiliated companies in the reporting period or the prior period.

In addition, Porsche AG group entities made the following material capital contributions in 2021:

- €174 million to Bugatti Rimac d.o.o., Brezje
- €40 million to Cellforce Group GmbH, Tübingen
- €11 million to Smart Press Shop GmbH & Co. KG, Stuttgart
- €6 million to Axel Springer Porsche GmbH & Co. KG, Berlin
- €4 million to MHP Americas, Inc., Atlanta / GA
- €3 million to serva GmbH, Stuttgart
- €2 million to Porsche Motorsport Asia-Pacific Ltd., Shanghai
- €2 million to FlexFactory GmbH, Stuttgart
- €0.6 million to Intelligent Energy System Services GmbH, Ludwigsburg

In the prior period, the following material capital contributions were made:

- €24 million to Porsche Financial Leasing Ltd., Shanghai
- €5 million to Smart Press Shop GmbH & Co. KG, Stuttgart
- €3 million to Axel Springer Porsche GmbH & Co. KG, Berlin
- €2 million to serva GmbH, Stuttgart
- €2 million to New Horizon GmbH, Berlin
- €1 million to Porsche Digital China Ltd., Shanghai
- €0.6 million to FlexFactory GmbH, Stuttgart
- €0.5 million to Porsche Digital España, S.L., Barcelona

In addition, Porsche AG acquired shares in the joint venture Bugatti International Holding S.à.r.l. of €46 million in December 2021.

In addition, Porsche AG received a capital contribution from Porsche Holding Stuttgart GmbH in 2021 in the amount of €471 million (see note **[24]**). In the prior period, this capital contribution amounted to €1,028 million.

As of the reporting date there were also loans to non-consolidated subsidiaries amounting to €89 million (prior year: €99 million), to associates amounting to €6 million (prior year: €1 million), to joint ventures amounting to €5 million (prior year: €1 million) and to Volkswagen AG group companies amounting to €2,348 million (prior year: €249 million).

The tables below do not include the dividend payments from the joint ventures and associates amounting to €0 million (prior year: €5 million).

Write-downs of €10 million (prior year: €15 million) were recognized in respect of the outstanding receivables from related parties. Expenses for this purpose in fiscal year 2021 amounted to €0 million (prior year: €7 million). Collateral in rem provided by Volkswagen AG group companies was recognized in the total amount of €0 million in 2021 (prior year: €0 million). The maximum credit risk for financial guarantees issued to joint ventures amounted to €73 million (prior year: €73 million).

Furthermore, the Porsche AG group acts as guarantor for non-consolidated subsidiaries for an amount of €1 million (prior year: €1 million). In addition, there were other obligations not recognized in the statement of financial position in 2021 to Volkswagen AG group companies amounting to €77 million (prior year: €110 million), to non-consolidated subsidiaries amounting to €1 million (prior year: €1 million), to joint ventures amounting to €0 million (prior year: €1 million) and to associates amounting to €121 million (prior year: €21 million).

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it, including close family members. In the reporting period, this related to the members of the Executive Board of Porsche AG and its Supervisory Board as well as their close family members. Supplies and services rendered and receivables from members of management bodies and the Supervisory Board only included services from the vehicle, parts and design business, and other services. The employee representatives appointed to the Supervisory Board continue to be entitled to a normal salary in accordance with their employment contracts. Where members of German works councils are concerned, the salary conforms to the requirements of the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG). Porsche AG has reviewed the total remuneration and currently assumes that it is appropriate, including for the representative of management.

The supplies and services received from Porsche SE contain amounts of €0 million (prior year: €0 million) incurred by Porsche AG group companies for services received in the area of key management personnel.

The benefits and compensation granted to the members of the Executive Board and of the Supervisory Board for their work as members of those bodies are presented after the list of interests and are not included in the following list of supplies and services rendered or received or the list of the receivables and liabilities.

Related parties:

€ million	Supplies and services rendered 2021	Supplies and services rendered 2020	Supplies and services received 2021	Supplies and services received 2020
Porsche and Piëch families	**0**	0	**–**	0
Porsche SE	**2**	2	**0**	0
State of Lower Saxony	**0**	–	**–**	–
Volkswagen AG – group[1]	**4,159**	3,813	**4,964**	4,718
Porsche Holding Stuttgart GmbH	**368**	367	**0**	–
Non-consolidated entities[1]	**31**	17	**114**	95
Joint ventures	**2**	1	**17**	1
Associates	**6**	1	**106**	87
Members of the Executive Board and the Supervisory Board Porsche AG	**1**	2	**–**	–
Members of the Executive Board and the Supervisory Board Volkswagen AG	–	0	–	–
	4,569	**4,203**	**5,201**	**4,901**

€ million	Receivables Dec. 31, 2021	Receivables Dec. 31, 2020	Liabilities Dec. 31, 2021	Liabilities Dec. 31, 2020
Porsche and Piëch families	**0**	–	**–**	–
Porsche SE	**0**	0	**0**	0
State of Lower Saxony[1]	**21**	20	**–**	–
Volkswagen AG – group[1]	**6,822**	5,347	**2,078**	904
Porsche Holding Stuttgart GmbH	**10,246**	9,961	**2,444**	2,465
Non-consolidated entities	**128**	114	**81**	74
Joint ventures	**5**	1	**2**	0
Associates	**38**	2	**91**	44
Members of the Executive Board and the Supervisory Board Porsche AG	**0**	–	**–**	0
Members of the Executive Board and the Supervisory Board Volkswagen AG	–	–	–	–
	17,260	**15,445**	**4,696**	**3,487**

[1] The prior-year figures were adjusted.

List of interests held in Porsche AG subsidiaries not subject to full consolidation that are related parties within the meaning of IAS 24:

Name and domicile of the company	Interest held by the parent company
Non-consolidated subsidiaries	
Porsche Niederlassung Mannheim GmbH, Bietigheim-Bissingen	100.00
Datura Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Manthey Racing GmbH, Meuspath	51.00
Manthey Servicezentrum GmbH, Meuspath	100.00
Ferry-Porsche-Stiftung, Stuttgart	0.00
Cetitec GmbH, Pforzheim	75.00
Dastera Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Initium GmbH, Berlin	100.00
serva GmbH, Stuttgart	100.00
Cellforce Group GmbH, Tübingen	72.72
Porsche Digital, Inc., Atlanta / GA	100.00
Porsche Design Studio North America, Inc., Beverly Hills / CA	100.00
Porsche Design Great Britain Ltd., Reading	100.00
Porsche Design Italia S.r.l., Padua	100.00
Porsche Consulting Ltda., São Paulo	100.00
Shanghai Advanced Automobile Technical Centre Co., Ltd., Shanghai	100.00
MHP Americas Inc., Atlanta / GA	100.00
Porsche Services Singapore Pte Ltd., Singapore	100.00
Nardò Technical Center S.r.l., Santa Chiara di Nardò	100.00
Porsche Design Asia Hong Kong Ltd., Hongkong	100.00
Porsche Services Middle East & Africa FZE, Dubai	100.00
MHP (Shanghai) Management Consultancy Co., Ltd., Shanghai	100.00
Porsche Design Sales (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Engineering Romania S.R.L., Cluj-Napoca	100.00
MHP Consulting UK Ltd., Birmingham	100.00
AFN Ltd., Reading	100.00
MHP Consulting Romania S.R.L., Cluj-Napoca	100.00
Porsche Design Netherlands B.V., Roermond	100.00
Porsche Design Timepieces AG, Solothurn	100.00
Porsche Engineering (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Smart Mobility Canada, Ltd., Toronto / ON	100.00
Porsche Werkzeugbau s.r.o., Dubnica nad Váhom	100.00
Porsche Consulting Canada Ltd., Toronto / ON	100.00
Cetitec USA Inc., Dover / DE	100.00
Cetitec d.o.o., Cakovec	100.00
Porsche Consulting S.A.S., Asnières-sur-Seine	100.00
Porsche Digital España, S.L., Barcelona	100.00
Porsche Digital China Ltd., Shanghai	100.00
Porsche Digital Croatia d.o.o., Zagreb	50.00
Porsche Drive Canada, Ltd., Toronto / ON	100.00
Porsche Drive LLC, Atlanta / GA	100.00
Porsche Motorsport Asia-Pacific Ltd., Shanghai	100.00

List of interests held in Porsche AG group joint ventures and associates that are related parties within the meaning of IAS 24:

Name and domicile of the company	Interest held by the parent company
Joint ventures	
IONITY Holding GmbH & Co. KG, Munich	20.00
PDB-Partnership for Dummy Technology and Biomechanics GbR, Gaimersheim	20.00
Axel Springer Porsche GmbH & Co. KG, Berlin	50.00
Axel Springer Porsche Management GmbH, Berlin	50.00
Smart Press Shop Verwaltungs-GmbH, Stuttgart	50.00
Smart Press Shop GmbH & Co. KG, Stuttgart	50.00
FlexFactory GmbH, Stuttgart	50.00
Intelligent Energy System Services GmbH, Ludwigsburg	50.00
Material Science Center Qatar QSTP-LLC, in Liquidation, Doha	25.00
Bugatti International Holding S.à r.l., Luxembourg	49.00
Associates	
Bertrandt AG, Ehningen	29.10
The Business Romantic Society Verwaltungs GmbH, Berlin	5.14
Fanzone Media GmbH, Berlin	4.99
&Charge GmbH, Frankfurt am Main	21.65
New Horizon GmbH, Berlin	16.92
Bugatti Rimac d.o.o., Brezje	45.00
Rimac Automobili d.o.o., Sveta Nedelja	21.96
Greyp bikes d.o.o., Sveta Nedelja	50.52
Stellar Telecommunications S.A.S., Meudon	20.00

In addition, the following benefits and compensation granted to the members of the Executive Board and of the Supervisory Board of Porsche AG have been recognized as expenses for their work as members of those bodies at Porsche AG:

€ million	2021	2020
Short-term employee benefits	**16.6**	11.9
Benefits based on performance shares	**6.6**	8.8
Post-employment benefits	**3.4**	2.6
	26.6	**23.3**

There were balances outstanding at the end of the period including obligations for short-term and long-term benefits including post-employment benefits as well as for the fair values of the performance shares granted to the Executive Board members amounting to €65.1 million (prior year (adjusted): €67.9 million). The post-employment benefits concern the additions to pension provisions for service cost relating to active Executive Board members. The chair of the Executive Board of Porsche AG, who is also on the Volkswagen group board of management, was remunerated exclusively by Volkswagen AG in the fiscal year.

[42] PERSONNEL EXPENSES

€ million	2021	2020
Wages and salaries	**3,566**	3,356
Social security contributions, pension and other benefit costs	**912**	874
	4,478	**4,230**

Employees (annual average)[1]		
Performance-related wage earners	**9,355**	9,000
Salaried staff	**26,471**	26,263
Trainees	**693**	756
	36,519	**36,019**

[1] The figures reflect the number of employees including employees in the leave phase of their phased retirement arrangement. Performance-related wage earners include all employees working in production at Porsche AG and Porsche Leipzig GmbH.

[43] GOVERNMENT GRANTS

Government grants of €33 million (prior year: €38 million) were deducted from the cost of property, plant and equipment. It is assumed that all the conditions associated with the grant have been met.

Profit-related government grants in the fiscal year amounted to €53 million (prior year: €72 million).

Stuttgart, February 21, 2022

Dr. Ing. h.c. F. Porsche Aktiengesellschaft

The Executive Board

Dr. Oliver Blume, Chairman	Lutz Meschke, Deputy Chairman
Andreas Haffner	Detlev von Platen
Albrecht Reimold	Barbara Frenkel
Dr. Michael Steiner	

English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers)

Independent auditor's report

To Dr. Ing. h.c. F. Porsche Aktiengesellschaft

Opinion

We have audited the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2021, the consolidated statement of financial position as of December 31, 2021, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from January1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2021 and of its financial performance for the fiscal year from January 1 to December 31, 2021.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the opinion

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of this system;

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, February 21, 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok	Orlov
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Audited Consolidated Financial Statements of the Company as of and for the year ended December 31, 2020, prepared in accordance with IFRS

Consolidated Income Statement

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2020

€ million	Note	2020	2019
Sales revenue	[1]	**28,695**	**28,518**
Cost of sales	[2]	**– 21,598**	– 21,256
Gross profit		**7,097**	**7,262**
Distribution expenses	[3]	**– 1,881**	– 2,044
Administrative expenses	[4]	**– 1,095**	– 1,029
Other operating income	[5]	**953**	846
Other operating expenses	[6]	**– 897**	– 1,173
Operating profit		**4,177**	**3,862**
Share of profit or loss of equity-accounted investments	[7]	**– 10**	– 1
Interest income	[8]	**406**	416
Interest expenses	[8]	**– 129**	– 148
Other financial result	[9]	**– 47**	– 75
Financial result		**220**	**192**
Profit before tax		**4,397**	**4,054**
Income tax income/expense	[10]	**– 1,231**	– 1,253
Current		**– 998**	– 1,268
Deferred		**– 233**	15
Profit after tax		**3,166**	**2,801**
thereof profit attributable to shareholders	[24]	**3,162**	2,796
thereof profit attributable to non-controlling interests	[11]	**4**	5
Profit transferred to Porsche Holding Stuttgart GmbH	[24]	**– 1,860**	– 1,798

Consolidated Statement of Comprehensive Income

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2020

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2020			
Profit after tax	**3,166**	**3,162**	**4**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	**6**	6	0
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	**4**	4	– 0
Pension plan remeasurements recognized in other comprehensive income, net of tax	**10**	10	–
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	**– 0**	– 0	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	**– 1**	– 1	–
Items that will not be reclassified to profit or loss	**9**	**9**	**–**
Foreign exchange differences			
Unrealized currency translation gains/losses	**– 340**	– 340	– 0
Transferred to profit or loss	**0**	– 0	–
Exchange differences on translating foreign operations, before tax	**– 340**	– 340	– 0
Deferred taxes relating to exchange differences on translating foreign operations	**–**	–	–
Exchange differences on translating foreign operations, net of tax	**– 340**	– 340	– 0
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	**1,391**	1,391	–
Transferred to profit or loss (OCI I)	**– 283**	– 283	–
Cash flow hedges (OCI I), before tax	**1,108**	1,108	–
Deferred taxes relating to cash flow hedges (OCI I)	**– 332**	– 332	–
Cash flow hedges (OCI I), net of tax	**776**	776	–
Fair value changes recognized in other comprehensive income (OCI II)	**– 492**	– 492	–
Transferred to profit or loss (OCI II)	**521**	521	–
Cash flow hedges (OCI II), before tax	**29**	29	–
Deferred taxes relating to cash flow hedges (OCI II)	**– 7**	– 7	–
Cash flow hedges (OCI II), net of tax	**22**	22	–
Fair value valuation of debt instruments that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	**–**	–	–
Transferred to profit or loss	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	**–**	–	–
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	**– 0**	– 0	–
Items that may be reclassified subsequently to profit or loss	**458**	**458**	**– 0**
Other comprehensive income, before tax	**802**	802	– 0
Deferred taxes relating to other comprehensive income	**– 335**	– 335	– 0
Other comprehensive income, net of tax	**467**	**467**	**– 0**
Total comprehensive income	**3,633**	**3,629**	**4**

Consolidated Statement of Comprehensive Income

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2019

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2019			
Profit after tax	**2,801**	**2,796**	**5**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	**– 1,230**	– 1,230	–
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	**364**	364	–
Pension plan remeasurements recognized in other comprehensive income, net of tax	**– 866**	– 866	–
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	**– 0**	0	–
Items that will not be reclassified to profit or loss	**– 866**	**– 866**	**–**
Foreign exchange differences			
Unrealized currency translation gains/losses	**92**	92	0
Transferred to profit or loss	**–**	–	–
Exchange differences on translating foreign operations, before tax	**92**	92	0
Deferred taxes relating to exchange differences on translating foreign operations	**–**	–	–
Exchange differences on translating foreign operations, net of tax	**92**	92	0
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	**– 397**	– 397	–
Transferred to profit or loss (OCI I)	**– 76**	– 76	–
Cash flow hedges (OCI I), before tax	**– 473**	– 473	–
Deferred taxes relating to cash flow hedges (OCI I)	**141**	141	–
Cash flow hedges (OCI I), net of tax	**– 332**	– 332	–
Fair value changes recognized in other comprehensive income (OCI II)	**– 680**	– 680	–
Transferred to profit or loss (OCI II)	**401**	401	–
Cash flow hedges (OCI II), before tax	**– 279**	– 279	–
Deferred taxes relating to cash flow hedges (OCI II)	**83**	83	–
Cash flow hedges (OCI II), net of tax	**– 196**	– 196	–
Fair value valuation of debt instruments that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	**–**	–	–
Transferred to profit or loss	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	**–**	–	–
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	**–**	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	**– 0**	– 0	–
Items that may be reclassified subsequently to profit or loss	**– 436**	**– 436**	**0**
Other comprehensive income, before tax	**– 1,890**	– 1,890	0
Deferred taxes relating to other comprehensive income	**588**	588	–
Other comprehensive income, net of tax	**– 1,302**	**– 1,302**	**0**
Total comprehensive income	**1,499**	**1,494**	**5**

Equity is explained in note **[24]**.

Consolidated Statement of Financial Position

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2020

€ million	Note	Dec. 31, 2020	Dec. 31, 2019
Assets			
Intangible assets	[12]	**5,437**	5,085
Property, plant and equipment	[13] [33]	**8,695**	8,624
Leased assets	[15] [33]	**3,614**	3,829
Equity-accounted investments	[14]	**167**	298
Other equity investments	[14]	**217**	146
Financial services receivables	[18]	**2,414**	1,841
Other financial assets	[19]	**8,870**	8,350
Other receivables	[20]	**164**	179
Deferred tax assets	[10] [21]	**817**	1,355
Non-current assets		**30,395**	**29,707**
Inventories	[16]	**4,108**	4,013
Trade receivables	[17]	**1,081**	842
Financial services receivables	[18]	**1,122**	842
Other financial assets	[19]	**2,761**	2,415
Other receivables	[20]	**606**	490
Tax receivables	[21]	**163**	95
Securities	[22]	**755**	451
Cash, cash equivalents and time deposits	[23]	**4,500**	3,511
Current assets		**15,096**	**12,659**
		45,491	**42,366**
Equity and Liabilities			
Subscribed capital	[24]	**45**	45
Capital reserves	[24]	**13,754**	12,726
Retained earnings	[24]	**6,302**	4,991
Other reserves	[24]	**118**	– 339
Equity before non-controlling interests	[24]	**20,219**	**17,423**
Non-controlling interests	[24]	**5**	5
Equity		**20,224**	**17,428**
Provisions for pensions and similar obligations	[25]	**5,932**	5,438
Other provisions	[26]	**939**	996
Deferred tax liabilities	[10] [31]	**685**	681
Financial liabilities	[27]	**5,668**	5,375
Other financial liabilities	[29]	**285**	657
Other liabilities	[30]	**473**	492
Non-current liabilities		**13,982**	**13,639**
Provisions for taxes	[31]	**111**	129
Other provisions	[26]	**1,849**	2,118
Financial liabilities	[27]	**2,657**	2,239
Trade payables	[28]	**2,335**	2,582
Other financial liabilities	[29]	**2,959**	3,082
Other liabilities	[30]	**1,331**	1,077
Tax payables	[31]	**43**	72
Current liabilities		**11,285**	**11,299**
		45,491	**42,366**

Consolidated Statement of Cash Flows

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2020

€ million	2020	2019
Cash and cash equivalents at beginning of period	**3,174**	**2,635**
Profit before tax	**4,397**	4,054
Income taxes paid	**– 837**	– 1,310
Depreciation, amortization and impairment losses	**3,357**	3,044
Gain/loss on disposal of non-current assets	**49**	10
Share of profit or loss of equity-accounted investments	**15**	7
Other non-cash expense/income	**– 13**	– 127
Change in inventories	**– 223**	– 86
Change in receivables (excluding financial services)	**– 734**	– 372
Change in liabilities (excluding financial liabilities)	**– 134**	– 456
Change in pension provisions	**493**	417
Change in other provisions	**– 299**	378
Change in leased assets	**– 945**	– 807
Change in financial services receivables	**– 987**	– 266
Cash flows from operating activities	**4,140**	**4,486**
Investments in intangible assets (excluding capitalized development costs), and property, plant and equipment	**– 1,547**	– 2,044
Additions to capitalized development costs	**– 1,225**	– 949
Change in equity investments	**– 46**	– 65
Cash received from disposal of intangible assets and property, plant and equipment	**48**	13
Change in investments in securities	**– 300**	– 146
Change in loans and time deposits	**51**	– 427
Cash flows from investing activities	**– 3,019**	**– 3,617**
Capital contributions	**1,028**	1,273
Profit transfer and dividends	**– 1,802**	– 2,294
Capital transactions with non-controlling interest	**–**	– 19
Proceeds from issuance of bonds	**3,222**	2,410
Repayment of bonds	**– 2,550**	– 2,369
Change in other financial liabilities	**282**	723
Repayments of lease liabilities	**– 102**	– 77
Cash flows from financing activities	**78**	**– 353**
Effect of exchange rate changes on cash and cash equivalents	**– 29**	23
Net change in cash and cash equivalents	**1,199**	**516**
Cash and cash equivalents at end of period	**4,344**	**3,174**

Cash and cash equivalents at end of period	**4,344**	3,174
Securities, loans and time deposits	**1,518**	1,360
Gross liquidity	**5,862**	**4,534**

The statement of cash flows is explained in note **[32]**.

Consolidated Statement of Changes in Equity

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2020

€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation
Balance at Jan. 1, 2019	**45**	**11,453**	**4,876**	**75**
Profit after tax	–	–	2,796	–
Other comprehensive income, net of tax	–	–	– 866	92
Total comprehensive income	**–**	**–**	**1,930**	**92**
Disposal of equity instruments	–	–	–	–
Capital contribution	–	1,273	–	–
Profit transfer and dividends payment	–	–	– 1,798	–
Capital transactions involving a change in ownership interest	–	–	– 17	–
Other changes	–	–	–	–
Balance at Dec. 31, 2019	**45**	**12,726**	**4,991**	**167**
Balance at Jan. 1, 2020	**45**	**12,726**	**4,991**	**167**
Profit after tax	–	–	3,162	–
Other comprehensive income, net of tax	–	–	10	– 340
Total comprehensive income	**–**	**–**	**3,172**	**– 340**
Disposal of equity instruments	–	–	–	–
Capital contribution	–	1,028	–	–
Profit transfer and dividends payment	–	–	– 1,860	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	– 1	–
Balance at Dec. 31, 2020	**45**	**13,754**	**6,302**	**– 173**

Other reserves					
Hedging					
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Non-controlling interests	Total equity
313	**– 291**	**–**	**0**	**6**	**16,477**
–	–	–	–	5	2,801
– 332	– 196	–	0	0	– 1,302
– 332	**– 196**	**–**	**0**	**5**	**1,499**
–	–	–	–	–	–
–	–	–	–	–	1,273
–	–	–	–	– 4	– 1,802
–	–	–	–	– 2	– 19
–	–	–	–	–	–
– 19	**– 487**	**–**	**0**	**5**	**17,428**
– 19	**– 487**	**–**	**0**	**5**	**17,428**
–	–	–	–	4	3,166
776	22	– 0	– 1	– 0	467
776	**22**	**– 0**	**– 1**	**4**	**3,633**
–	–	–	–	–	–
–	–	–	–	–	1,028
–	–	–	–	– 4	– 1,864
–	–	–	–	–	–
–	–	–	–	–	– 1
757	**– 465**	**– 0**	**– 1**	**5**	**20,224**

Equity is explained in note **[24]**.

Notes of the Consolidated Financial Statements

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2020

BASIS OF PRESENTATION

Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG") is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. Porsche AG's subscribed capital is held in full by Porsche Holding Stuttgart GmbH, Stuttgart, and a control and profit and loss transfer agreement is in place between the two entities. Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH are included in the consolidated financial statements of Volkswagen AG which are filed with the *elektronische Bundesanzeiger* (German Electronic Federal Gazette). The business purpose of Porsche AG and its subsidiaries ("Porsche AG group") is to manufacture and sell vehicles and engines of all kinds as well as other parts and components for these and other technical products. In addition, the business purpose includes performing development work and design engineering, including but not limited to vehicle and engine construction; consulting in the fields of development and manufacturing, including but not limited to vehicle and engine construction; consulting and development in the field of data processing as well as the production and distribution of data-processing products; marketing of merchandise and exploitation of brand rights, including but not limited to those containing the word "Porsche"; as well as all other activities that are technically or economically related, including the exploitation of intellectual property rights. Another of the Porsche AG group's business areas are financial services. This includes financing and leasing services for customers and dealers.

Volkswagen AG holds 100 per cent of the share capital of Porsche Holding Stuttgart GmbH and is thus the ultimate parent company of the Porsche AG group. A control and profit and loss transfer agreement has been in place between Volkswagen AG and Porsche Holding Stuttgart GmbH since fiscal year 2013.

The voluntary consolidated financial statements of Porsche AG as of December 31, 2020 are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The standards published by the International Accounting Standards Board (IASB), London, that are applicable as of the reporting date as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are valid for the reporting period are taken into account. The requirements of the standards and interpretations applied were satisfied in full.

The reporting period of the Porsche AG group (Porsche AG and its subsidiaries) covers the period from January 1 to December 31, 2020 and thus corresponds to the 12-month fiscal year of the legal parent company Porsche AG and of the ultimate parent company Volkswagen AG.

The group's presentation currency is the euro. Unless otherwise stated, all figures in the notes are presented in millions of euros (€ million). All amounts are rounded in line with common business practice; this can lead to minor differences in total amounts.

The accounting policies were generally the same as those applied in the prior year. The only changes were those necessitated by amended standards.

The income statement has been prepared using the function of expense method, as is common international practice.

The Covid-19 pandemic had a negative impact on the net assets, financial position and results of operations of the Porsche AG group in fiscal year 2020 as a result of a global decline in demand caused, among other things, by government-imposed restrictions on motor vehicle trading as well as temporary interruptions in production. As the Covid-19 pandemic has still not been overcome at the beginning of 2021, the net assets, financial position and results of operations are expected to be impacted again in 2021.

In preparing the consolidated financial statements as of December 31, 2020, the effects of the Covid-19 pandemic had to be analyzed in the following areas in particular:

- The impairment testing of non-financial assets, specifically partially capitalized development costs, property, plant and equipment and equity-accounted investments, was performed taking into account planning influenced by the Covid-19 pandemic. There were no significant impairment losses with the exception of the investment in Bertrandt AG accounted for using the equity method.
- The testing of leased assets for impairment did not reveal any material effects of the Covid-19 pandemic on the residual value forecasts for vehicles.
- The testing of financial assets for impairment taking into account adjusted expected losses did not reveal any additional significant impairment.
- Review of the effects of shifts in the timing and amount of hedged items caused by the Covid-19 pandemic on hedge accounting and effectiveness. There were no significant effects with an impact on earnings.

Preparing the consolidated financial statements in accordance with the above standards requires assumptions to be made regarding some items, which affect the amounts recognized in the consolidated statement of financial position or consolidated income statement of the Porsche AG group and the disclosure of contingent assets and contingent liabilities. The consolidated financial statements give a true and fair view of the net assets, financial position and results of operations and the cash flows of the group.

The Executive Board prepared the consolidated financial statements of Porsche AG on February 10, 2021 and authorized their issue to the Supervisory Board. The period subsequent to the reporting date for which adjusting events can be disclosed ends on that date.

BASIS OF CONSOLIDATION

In addition to Porsche AG, the consolidated financial statements include all material German and foreign subsidiaries, including structured entities, that are controlled directly or indirectly by Porsche AG. Control exists if Porsche AG has power over the potential subsidiary, directly or indirectly, as a result of voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and is able to affect those returns. There are no significant restrictions.

The main purpose of the structured entities is to facilitate asset-backed securities transactions for the purpose of refinancing the financial services business and to invest financial resources in special securities funds. Subsidiaries are included in the consolidated financial statements from the date on which control is gained; they are deconsolidated when control no longer exists.

Subsidiaries that are dormant or have only negligible business activities, and unconsolidated structured entities that are not material, individually and in aggregate, for the purpose of giving a true and fair view of the net assets, financial position and results of operations, as well as the cash flows of the Porsche AG group, are not consolidated. They are carried in the consolidated financial statements at cost less any impairments and reversals of impairments required to be recognized.

Material companies where Porsche AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or where Porsche AG has joint control, directly or indirectly, together with another party (joint ventures), are accounted for at equity. Associates and joint ventures of immaterial importance are recognized at their respective acquisition costs or lower fair values.

The composition of the Porsche AG group is shown in the table below:

	2020	2019
Parent company and consolidated subsidiaries including special security funds		
Germany	**29**	27
Other countries	**84**	83
	113	110
Subsidiaries carried at cost		
Germany	**10**	10
Other countries	**31**	28
	41	38
Associates, joint ventures and other equity investments		
Germany	**16**	12
Other countries	**20**	12
	36	24
	190	**172**

The German companies Porsche Digital GmbH, Ludwigsburg, and Porsche Investments GmbH, Stuttgart, as well as the foreign companies Porsche Financial Services Korea LLC, Seoul, PGEAR LLC, Atlanta, GA, and PSHIFT LLC, Atlanta, GA, have been consolidated for the first time in the reporting period. The foreign companies Porsche Consulting Ltda., São Paulo, and Porsche Services Middle East & Africa FZE, Dubai, were deconsolidated in the reporting period.

As a result of consolidating the two German companies and the three foreign companies for the first time as well as deconsolidating the two foreign companies, the group of fully consolidated subsidiaries increased by three companies. Individually and in aggregate, the changes in the consolidated group did not have any material impact on the presentation of the group's situation.

From the group's perspective, the non-consolidated structured companies are immaterial. In particular, there are no significant risks for the group.

The associate Bertrandt is an engineering partner of companies in the automotive and aviation industries. Its activities range from the development of individual components to complex modules and complete solutions. Bertrandt's main branch is in Ehningen.

As of December 31, 2020, the shares in Bertrandt had a quoted value of €116 million (prior year: €165 million).

IONITY Holding GmbH & Co. KG develops and markets a network of fast-charging stations for electric vehicles in Europe. This is a joint venture in which Porsche, Daimler, BMW, Ford and since 2020 Kia/Hyundai have a stake. This resulted in a voting share of the Porsche AG group of 20 per cent (prior year: 25 per cent). The joint venture is included in the consolidated financial statements using the equity method. IONITY Holding GmbH & Co. KG has its headquarters in Munich. The contribution was increased by €20 million in the prior year.

From the perspective of the Porsche AG group, its associate Bertrandt AG, Ehningen, and joint venture Ionity Holding GmbH & Co. KG, Munich, are material as of the reporting date.

Summarized financial information relating to the material associates on a 100 per cent basis:

€ million	Bertrandt[1]
2020	
Shareholding (in %)	29
Non-current assets	666
Current assets	481
Non-current liabilities	408
Current liabilities	198
Net assets	541
Sales revenue	915
Profit/loss from continuing operations after tax	– 19
Profit/loss from discontinued operations after tax	–
Other comprehensive income	– 1
Total comprehensive income	– 20
Dividends received	5
2019	
Shareholding (in %)	29
Non-current assets	575
Current assets	468
Non-current liabilities	313
Current liabilities	153
Net assets	577
Sales revenue	1,058
Profit/loss from continuing operations after tax	16
Profit/loss from discontinued operations after tax	–
Other comprehensive income	– 1
Total comprehensive income	15
Dividends received	6

[1] The disclosures for Bertrandt's statement of financial position relate to the September 30, 2020 reporting date; the income statement disclosures for fiscal year 2020 relate to the period from October 1, 2019 to September 30, 2020, and those for fiscal year 2019 to the period from October 1, 2018 to September 30, 2019.

Reconciliation of the financial information to the carrying amount of the investment:

€ million	Bertrandt
2020	
Net assets as of Jan. 1	577
Profit/loss	– 19
Other comprehensive income	– 1
Change in reserves	–
Dividend	– 16
Net assets as of Dec. 31	541
Attributable share of net assets	157
Consolidation/goodwill/other	– 37
Carrying amount of the investment	120
2019	
Net assets as of Jan. 1	**583**
Profit/loss	16
Other comprehensive income	– 1
Change in reserves	–
Dividend	– 21
Net assets as of Dec. 31	577
Attributable share of net assets	167
Consolidation/goodwill/other	80
Carrying amount of the investment	247

There are no contingent liabilities to associates.

Summarized financial information relating to the material joint ventures on a 100 per cent basis:

€ million	IONITY
2020	
Shareholding (in %)	20
Non-current assets	244
Current assets	55
thereof cash, cash equivalents and time deposits	17
Non-current liabilities	13
thereof financial liabilities	0
Current liabilities	42
thereof financial liabilities	–
Net assets	244
Sales revenue	7
Amortization and depreciation	19
Interest income	–
Interest expenses	– 1
Profit/loss before tax from continuing operations	– 44
Income tax expense	8
Profit/loss from continuing operations after tax	– 37
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 37
Dividends received	–
2019	
Shareholding (in %)	25
Non-current assets	175
Current assets	71
thereof cash, cash equivalents and time deposits	50
Non-current liabilities	10
thereof financial liabilities	0
Current liabilities	30
thereof financial liabilities	–
Net assets	205
Sales revenue	1
Amortization and depreciation	–
Interest income	–
Interest expenses	– 1
Profit/loss before tax from continuing operations	– 29
Income tax expense	5
Profit/loss from continuing operations after tax	– 24
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 24
Dividends received	–

Reconciliation of the financial information to the carrying amount of the investment:

€ million	IONITY
2020	
Net assets as of Jan. 1	205
Profit/loss	– 37
Other comprehensive income	–
Change in reserves	75
Foreign exchange differences	–
Dividend	–
Net assets as of Dec. 31	243
Attributable share of net assets	49
Consolidation/goodwill/other	– 3
Carrying amount of the investment	46
2019	
Net assets as of Jan. 1	148
Profit/loss	– 24
Other comprehensive income	–
Change in reserves	81
Foreign exchange differences	–
Dividend	–
Net assets as of Dec. 31	205
Attributable share of net assets	51
Consolidation/goodwill/other	–
Carrying amount of the investment	51

There are no contingent liabilities due to joint ventures.

CONSOLIDATION PRINCIPLES

The financial statements of the subsidiaries are prepared as of the reporting date of the consolidated financial statements, which is the reporting date of the parent company.

Business combinations are accounted for by applying the acquisition method pursuant to IFRS 3 (revised 2008).

BUSINESS COMBINATIONS AND DECONSOLIDATIONS

The cost of a business acquisition is measured in accordance with IFRS 3 (revised 2008) as the aggregate of the consideration transferred at fair value as of the acquisition date and the non-controlling interests in the entity. The non-controlling interests can be measured either at fair value or at the proportionate share of the acquiree's identifiable net assets, but excluding goodwill. Acquisition-related costs that are not equity transaction costs are expensed and therefore do not constitute a component of cost. Contingent consideration is measured at its fair value at the date of acquisition. The measurement of contingent consideration at the date of acquisition is not generally adjusted to reflect subsequent changes in value.

When subsidiaries are initially consolidated, the identifiable assets and liabilities acquired are measured at their fair value at the date of acquisition. The amounts recognized are amortized in subsequent periods.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the gain or loss resulting from remeasurement recognized in profit or loss.

Where the cost of a business combination exceeds the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the excess is recognized as goodwill. Goodwill is tested for impairment at least once annually. If the goodwill is impaired, an impairment loss is recognized. If there is no impairment, the amount at which goodwill is recognized remains unchanged from the prior year. Where the cost of a business combination is less than the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the difference is recognized in the income statement after reassessing the fair values.

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized within equity.

The consolidation process involves adjusting the items resulting from the independent accounting and measurement of the individual companies and presenting them as if they were those of a single economic entity. Intragroup assets, liabilities, equity, expenses, income and cash flows are eliminated in full. Group inventories and fixed assets are adjusted for intercompany profits or losses. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes relate to the same tax authority and the same period. In addition, guarantees and warranties assumed by the parent company or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

In the event that control is lost and the parent company continues to hold shares in the previous subsidiary, such shares are measured at fair value on the date of loss of control.

When deconsolidating the previous subsidiary, the difference between the consideration received and the net assets disposed of at the date when control is lost (including any goodwill from acquisition accounting) is recognized in profit or loss. Income and expenses recognized directly in the previous subsidiary's equity for foreign currency effects, securities held for sale, cash flow hedges and equity-accounted investments of the previous subsidiary are derecognized through profit or loss at the date when control is lost. However, any revaluation reserve recognized in accordance with IFRS 3 (revised 2008) is not derecognized through profit or loss at that date but transferred to retained earnings within equity.

CURRENCY TRANSLATION

Foreign currency items in the financial statements of the entities included in the consolidated financial statements are measured at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the average rate on the reporting date. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate prevailing on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined. Exchange rate gains and losses as of the reporting date are recorded in profit or loss.

The financial statements of consolidated subsidiaries prepared in a foreign currency are translated into euros in accordance with IAS 21 using the functional currency concept. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

Assets, liabilities and contingent liabilities are translated at the closing rate on the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated using weighted average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly in equity until the disposal of the subsidiary. To the extent the separate item is attributable to the parent company it is reclassified to profit or loss upon disposal.

Goodwill and adjustments to recognize assets and liabilities arising from business combinations at their fair value are expressed in the functional currency of the subsidiary.

The following key exchange rates were used for currency translation in the consolidated financial statements:

		Closing rate		Average rate	
		Dec. 31, 2020	**Dec. 31, 2019**	**2020**	**2019**
Australia	AUD	**1.5861**	1.6008	**1.6553**	1.6107
Brazil	BRL	**6.3756**	4.5135	**5.8885**	4.4149
China	CNY	**8.0290**	7.8147	**7.8703**	7.7344
United Kingdom	GBP	**0.8993**	0.8500	**0.8890**	0.8774
Hong Kong	HKD	**9.5167**	8.7428	**8.8518**	8.7733
Japan	JPY	**126.5100**	121.8950	**121.7731**	122.0865
Canada	CAD	**1.5628**	1.4621	**1.5294**	1.4860
Republic of Korea	KRW	**1,336.2100**	1,296.3500	**1,345.1409**	1,304.8927
Russia	RUB	**91.7754**	69.8469	**82.6358**	72.4671
Switzerland	CHF	**1.0811**	1.0855	**1.0703**	1.1128
USA	USD	**1.2276**	1.1228	**1.1413**	1.1197

ACCOUNTING POLICIES

The assets and liabilities of Porsche AG and the consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche AG group. The same accounting policies are used in the case of equity-accounted investments for the purpose of determining the attributable share of the net assets. This is based on the most recent audited annual financial statements of the respective company. The comparative information is based in principle on the same accounting policies applied for the reporting period for fiscal year 2020. Where changes have been made, the effect is explained in the relevant notes.

With the exception of certain items such as financial instruments measured at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared using the historical cost principle. The methods used to measure the individual items are presented in more detail below.

INTANGIBLE ASSETS

Intangible assets not acquired in a business combination are initially recognized at cost in accordance with IAS 38 plus costs directly attributable to the acquisition. The cost of intangible assets acquired as part of a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Purchased intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, taking any impairments into account. Useful lives range from three to five years. Useful lives, residual values and methods of amortization are reviewed, and adjusted if appropriate, at least at the end of the reporting year. If adjustments are made, these are accounted for as changes in estimates.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are not amortized. Each individual asset or cash-generating unit is tested at least once a year for impairment. If the goodwill is impaired, an impairment loss is recognized. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite life assessment continues to be supportable. If this is no longer the case, the change in the useful life assessment from indefinite to finite is made prospectively.

Development costs are recognized for products provided that expenditures can be clearly allocated and all other recognition criteria of IAS 38 are met. The capitalized development costs include all direct costs and production overheads directly attributable to the development process incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of production using the straight-line method over the expected useful life of the product, taking any impairments into account. This is usually six years. Research and non-capitalizable development costs are expensed as incurred.

The amortization on intangible assets is allocated to the corresponding function.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less depreciation and, if necessary, impairment losses. Investment subsidies are generally deducted from cost. Measurement at cost is performed on the basis of directly attributable costs and overheads. Special equipment is reported under other equipment, furniture and fixtures. Property, plant and equipment is depreciated pro rata temporis on a straight-line basis over the expected useful life. The useful lives are reviewed regularly and adjusted if necessary.

Depreciation is based on the following useful lives:

	Years
Office and factory buildings	9 to 40
Technical equipment and machinery	7 to 20
Other equipment, furniture and fixtures	3 to 13

Residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

LEASES

The Porsche group recognizes leases pursuant to IFRS 16. This defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Where the Porsche AG group is lessee, it generally recognizes a right-of-use asset and a lease liability in the statement of financial position for all leases. In the Porsche AG group, the lease liability is measured at the present value of the outstanding lease payments, while the right-of-use asset is generally measured in the amount of the lease liability plus initial direct costs.

The right-of-use asset is generally depreciated on a straight-line basis over the lease term. The lease liability is adjusted using the effective interest method and taking the lease payments into account.

The right-of-use assets recognized in the statement of financial position are reported in those items that the assets underlying the lease would be reported in if they were owned by the Porsche AG group. The right-of-use assets were therefore presented under non-current assets as of the reporting date, primarily as property, plant and equipment and taken into account in the impairment testing of property, plant and equipment in accordance with the requirements of IAS 36.

There are practical expedients for short-term leases and leases of low-value assets. The Porsche AG group takes advantage of these and consequently does not recognize right-of-use assets or lease liabilities for such leases. The associated lease payments are recognized directly in profit or loss as an expense. Leases of low-value assets are those where the value of the leased asset does not exceed €5,000 when new. Furthermore, the accounting requirements of IFRS 16 are not applied to leases of intangible assets.

Many leases contain extension and termination options. In determining the lease term, all relevant facts and circumstances are taken into consideration that create an economic incentive to exercise, or not to exercise, the option. Optional periods are taken into account in determining the lease term if it is reasonably certain that the option will be exercised.

LEASED ASSETS

The accounting treatment of leases in which the group is the lessor is based on a classification as operating leases and finance leases. The classification is based on the allocation of the risks and rewards incidental to ownership of the leased asset.

In the case of operating leases, substantially all of the risks and rewards remain with the Porsche AG group. The leased asset is recognized at amortized cost in the fixed assets of the Porsche AG group and the lease payments received in the period are recognized as income in profit or loss.

Vehicles leased out under operating leases are recognized at cost and depreciated on a straight-line basis to their calculated residual value over the term of the lease. Impairment losses are recognized for any impairment in value identified as part of the impairment testing carried out in accordance with IAS 36. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

In the case of finance leases, substantially all of the risks and rewards incidental to ownership are transferred to the lessee. The Porsche AG group derecognizes the leased asset from its fixed assets and instead recognizes a receivable in the amount of its net investment in the lease.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs for qualifying assets are recognized as part of the cost of the asset. A qualifying asset is an asset that necessarily takes one year or more to get ready for its intended use or sale.

EQUITY-ACCOUNTED INVESTMENTS

The cost of equity-accounted investments is adjusted in accordance with the share of the increases and decreases in the net assets of the associates and joint ventures arising after acquisition attributable to the Porsche AG group, including any effects from purchase price allocation. In addition, an impairment test is carried out where there are indications of impairment and, if appropriate, a write-down to the lower recoverable amount is recognized. The recoverable amount is determined using the method presented for impairment testing. If the reason for the write-down no longer exists at a later date, the impairment loss is reversed, but only to the extent that the resulting carrying amount of the asset does not exceed the amount that would have applied if the write-down had not been recognized. The calculation of the value in use for the purposes of the impairment test is based on a cost of capital of 5.7 per cent (prior year: 4.5 per cent).

IMPAIRMENT TESTING

At the end of each reporting period, the group assesses whether there is any indication of impairment. An impairment test is performed at least once a year for goodwill, capitalized costs for intangible assets (in particular, where development costs are recognized for products under development) and intangible assets with an indefinite useful life. For intangible assets with finite useful lives, property, plant and equipment as well as leased assets an impairment test is performed only when there is an indication that the asset may be impaired.

The recoverable amount is determined in the course of impairment testing and is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

To determine whether goodwill is impaired, the fully consolidated entities concerned are used as a cash-generating unit. For other intangible assets as well as for property, plant and equipment, the Porsche brand generally constitutes the cash-generating unit in the automotive division. As such, it forms the basis for impairment testing and the economic assessment carried out on recognition of internally generated intangible assets. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference.

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. Value in use is determined using the discounted cash flow method or capitalized earnings method on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal.

To determine whether goodwill or other intangible assets and items of property, plant and equipment are impaired, the group uses the value in use.

Value in use for other intangible assets and items of property, plant and equipment is determined based on a current forecast prepared by management including material assumptions about growth and the volume of unit sales. The planning period generally extends over five years. Planning is based on expectations that global economic output will recover overall in 2021, provided a successful, lasting containment of the Covid-19 pandemic is achieved. Global economic growth is also expected to continue for the years 2022 to 2025. Plausible assumptions about future developments are made for subsequent years. The planning assumptions are adjusted to reflect the current information available. The recoverable amount of goodwill is determined based on current planning as well as reasonable assumptions about macroeconomic trends (currency, interest rate and commodity price trends) as well as historical developments. When determining the cash flows, an anticipated growth rate of 1.0 per cent is used as a basis. The growth rate is based on the circumstances specific to the industry and takes into account the specific price and cost situation. In the case of assets that are not yet available for use, impairment testing is carried out upon initial recognition and subsequently once per year on the basis of the current business plan. Assets already in use are only tested for impairment if there is a triggering event. When determining the value in use for the impairment test of goodwill, other intangible assets and property, plant and equipment, a market-oriented discount rate for similar risks is used (if the capitalized earnings method is used, a post-tax cost of equity of 8.1 per cent is applied for immaterial goodwill (prior year: 6.9 per cent)) and a weighted average cost of capital (WACC) of 5.3 per cent (prior year: 4.8 per cent) is used for other intangible assets and property, plant and equipment if the discounted cash flow method is used. The determination of the cost of capital rates is based on a rate of interest for risk-free investments. Furthermore, in addition to a market risk premium, specific peer group information is taken into account for beta factors, leverage ratio and borrowing rate. The composition of the peer groups used to determine beta factors is reviewed on an ongoing basis and modified when necessary. Even if no growth were assumed for the purposes of the perpetual annuity or if the sales volume on which the perpetual annuity is based were reduced by 10 per cent, that would not result in an impairment of the goodwill and of the other intangible assets or property, plant and equipment.

Any impairment of leased assets from vehicle leasing contracts, determined by impairment testing in accordance with IAS 36, is reflected in impairment losses and adjusted rates of depreciation. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

The functions recognize an impairment loss in the income statement in the item "amortization of intangible assets and depreciation of property, plant and equipment and leased assets" if the recoverable amount of the asset is lower than its carrying amount.

A review of whether the reasons for a previously recognized impairment loss still exist is carried out on an annual basis. If the reasons for impairment losses recognized in prior years no longer exist, they are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot result in a carrying amount that exceeds the amount that would have been determined as the carrying amount, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

INVENTORIES

Inventories include commodities, consumables and supplies, as well as work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value as of the reporting date.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to directly attributable costs, the costs of conversion of the internally produced goods include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs. Borrowing costs are not capitalized.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated distribution expenses.

If the carrying amounts are no longer realizable due to a decrease in prices in the sales market, inventories are written down accordingly.

Inventories of a similar nature are generally measured using the weighted average cost method.

LONG-TERM CONSTRUCTION CONTRACTS

Future receivables from long-term construction contracts are recognized according to their percentage of completion. The percentage of completion to be recognized per contract is calculated by comparing the accumulated costs with the total costs expected (cost-to-cost method). Contract costs incurred are often the best way to measure the stage of completion of the performance obligation. If the result of a construction contract cannot be determined reliably, income is only recognized at the amount of the contract costs incurred (zero profit method). If the total of accumulated contract costs and reported profits exceeds advance payments received, the construction contracts are recognized as an asset under other receivables as future receivables from long-term development contracts. Any negative balance is reported under other payables. The principle of measuring assets at the lower of carrying amount and net realizable value is observed.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset at one entity and a financial liability or equity instrument at another entity. Regular way purchases or sales of financial instruments are accounted for at the settlement date, i.e., the date on which the asset is delivered.

Financial assets are classified and measured on the basis of the entity's business model and the characteristics of the financial asset's cash flows.

Under IFRS 9, financial assets are allocated to the following categories:

- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income (debt instruments),
- financial assets measured at fair value through other comprehensive income (equity instruments), and
- financial assets measured at amortized cost.

Financial liabilities are allocated to the following categories:

- financial liabilities measured at fair value through profit or loss, and
- financial liabilities measured at amortized cost.

In the Porsche AG group, the categories presented above are allocated to the "at amortized cost" and "at fair value" classes.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

"Financial assets measured at amortized cost" are held under a business model whose objective is to collect contractual cash flows ("hold" business model). These assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The amortized cost of a financial asset or liability is the amount:

- at which the financial asset or liability is measured at initial recognition,
- less any repayments of principal,
- taking into account any loss allowances, write-downs for impairment or uncollectability relating to financial assets, and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity (premium, discount), amortized using the effective interest method over the term of the financial asset or liability.

Financial liabilities measured at amortized cost using the effective interest method relate to liabilities to banks, bonds, commercial papers and notes, loans and other liabilities. Gains or losses resulting from changes in amortized cost, including the effects of changes in exchange rates, are recognized through profit or loss. For reasons of materiality, discounting or unwinding of discounts is not applied to current liabilities (due within one year).

Financial assets and liabilities measured at amortized cost are

- receivables from the financial services business,
- trade receivables and payables,
- other receivables and financial assets and liabilities,
- financial liabilities,
- cash, cash equivalents and time deposits.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Changes in the carrying amount of "financial assets measured at fair value" are recognized either in OCI or through profit or loss.

Financial assets that are equity instruments are measured at fair value. Here the Porsche AG group primarily exercises the option to present subsequent fair value changes in other comprehensive income, i.e., gains and losses from the measurement of equity investments are never reclassified to the income statement and instead are reclassified to retained earnings on disposal (no recycling). The only exceptions are interests in companies that are not material to the consolidated financial statements and in those that do not conduct business operations. Reasonable fair values that are free from major fluctuations cannot reliably be ascertained for such interests without undue cost or effort. They are measured at cost. If there are indications of impairment, they are remeasured at the lower present value of the estimated future cash flows.

All financial assets not measured either "at amortized cost" or "at fair value through other comprehensive income" are allocated to the "at fair value through profit or loss" category. "Financial assets measured at fair value through profit or loss" are held in particular to generate cash flows by selling financial instruments ("sell" business model).

In the Porsche AG group, this category mainly comprises

- hedges not included in hedge accounting,
- investment fund units.

"Financial liabilities measured at fair value through profit or loss" relate solely to derivatives not included in hedge accounting.

Fair value generally corresponds to the market or quoted market price (level 1). If no active market exists, the fair value is determined where possible using other observable inputs (level 2). If no observable inputs are available, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models and – as far as possible – is verified by confirmations from the banks that settle the transactions (level 3).

For current receivables and payables, amortized cost generally corresponds to the principal amount or repayment amount.

The Porsche AG group does not exercise the fair value option for financial assets and liabilities.

Financial assets and financial liabilities are generally presented at their gross amounts. They are only offset if the Porsche AG group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis.

Subsidiaries, associates and joint ventures that for reasons of materiality are not consolidated do not fall within the scope of IFRS 9 and IFRS 7.

DERIVATIVES AND HEDGE ACCOUNTING

Porsche AG group companies use derivatives to hedge future cash flows (hedged items). Appropriate derivatives such as swaps, forward transactions and options are used as hedging instruments. The criteria for applying hedge accounting are that the clear hedging relationship between the hedged item and the hedging instrument is documented and that the hedge is proven to be effective.

When hedging future cash flows, the hedging instrument is measured at fair value. The designated effective portion of the hedging instrument is recognized in OCI I and the non-designated effective portion of the hedging instrument in OCI II. They are only recognized in profit or loss when the hedged item is recognized. The ineffective portion of a cash flow hedge is immediately recognized in profit or loss.

Those derivatives that the Porsche AG group uses for financial management purposes to hedge against interest rate or currency risks that do not meet the strict hedge accounting criteria of IFRS 9 are classified as "financial assets and liabilities at fair value through profit or loss". This also applies to options on shares. As a general rule, external hedging instruments of intragroup hedged items that are subsequently eliminated in the consolidated financial statements are likewise assigned to this category. "Assets and liabilities measured at fair value through profit or loss" comprise derivatives or components of derivatives that are not included in hedge accounting. For example, these relate to non-designated interest rate hedges.

RECEIVABLES FROM FINANCE LEASES

Where a group company is a lessor – generally of vehicles – a receivable in the amount of the net investment in the lease is recognized in the case of finance leases, i.e., where substantially all the risks and rewards incidental to ownership are transferred to the lessee.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

Financial assets are exposed to default risk, which is taken into account by recognizing loss allowances or, if losses have already been incurred, by recognizing impairment losses. Specific and portfolio-based loss allowances are recognized for the risk of default inherent in receivables and loans in the financial services business.

In particular, in accordance with group-wide standards, a loss allowance is recognized on these financial assets in the amount of the expected loss. The actual specific loss allowances for the losses incurred are then recognized in this loss allowance. A potential impairment is assumed not only for delayed payments of more than 90 days, the institution of enforcement measures, the threat of insolvency or over-indebtedness, application for or the opening of insolvency proceedings or the failure of financial reorganization measures, but also for receivables that are not past due.

Portfolio-based loss allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk characteristics and allocating them by risk class. Average historical probabilities of default are used in combination with forward-looking parameters for the respective portfolio to calculate the amount of the impairment loss.

Credit risks must be considered for all financial assets measured at amortized cost, as well as for contract assets under IFRS 15 and lease receivables under IFRS 16. The impairment requirements also apply to risks arising from irrevocable credit commitments and to the measurement of financial guarantees.

Impairment losses on receivables outside of the financial services division are generally accounted for by means of a simplified process that takes historical default rates into account, and by means of specific loss allowances.

CASH, CASH EQUIVALENTS AND TIME DEPOSITS

The cash and cash equivalents include checks, cash on hand, bank balances, balances with affiliated companies and time deposits.

DEFERRED TAXES

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated statement of financial position as well as on unused tax loss carryforwards and tax credits if it is probable that they will be used. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and the carrying amounts in the consolidated statement of financial position (temporary concept).

Deferred tax liabilities for taxable temporary differences associated with equity investments in subsidiaries are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Valuation allowances are recognized on deferred tax assets that are unlikely to be realized in a reasonable period of time.

The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income over a planning horizon of five fiscal years. A previously unrecognized deferred tax asset is reassessed on an annual basis and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The amounts recognized reflect the anticipated tax expense or credit in subsequent fiscal years based on the tax rate expected to apply at the date of realization. The tax consequences of profit distributions are not generally taken into consideration until the resolution on appropriation of net profit has been adopted.

Deferred tax assets and liabilities are offset if the taxes are levied by the same taxation authority, relate to the same taxation period, and there is a legally enforceable right to set off the recognized amounts.

Deferred taxes relating to items recognized directly in equity are also recorded in equity.

CURRENT TAXES

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. Tax items are calculated on the basis of the tax rates and tax laws in force as of the reporting date. Provisions are recognized for potential obligations in respect of tax assessments that have not yet been finally reviewed by the tax authorities. Any identified tax uncertainty is measured on the basis of the most likely value to be recognized to reflect the risk, should it materialize.

Current taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

SHARE-BASED PAYMENT

Share-based payment comprises performance shares. The obligations under share-based payment are accounted for as cash-settled plans pursuant to IFRS 2. Until maturity, the cash-settled plans are measured at fair value using a recognized option pricing model. The total payment expense to be recognized corresponds to the actual payment and is distributed over the vesting period.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

In accordance with IAS 19 (Employee Benefits), the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method takes into account not only the pension payments and the future claims known on the reporting date but also future anticipated increases in salaries and pensions, as well as expected staff turnover based on past experience.

If pension obligations are funded by plan assets, the obligations and the assets are offset.

Remeasurements from pension plans are recognized through other comprehensive income in retained earnings taking deferred taxes into account. The service cost is reported in personnel expenses, while the net interest expense/income from unwinding the discount on the provision as well as from the return on plan assets is recognized in interest expenses.

The calculation is based on actuarial opinions taking into account biometric assumptions. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds on the reporting date.

OTHER PROVISIONS

Under IAS 37, provisions are recognized if a present obligation toward a third party as a result of a past event exists which will probably result in a future outflow of resources embodying economic benefits, and whose amount can be reliably estimated.

Provisions are generally measured at the expected settlement amount taking into account all identifiable risks. The settlement amount is calculated on the basis of the best possible estimate. The settlement amount also includes the expected cost increases. Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern. Non-current provisions are stated at their settlement amount discounted to the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of when the outflow of resources is due. In the eurozone, an average rate of -0.23 per cent (prior year: -0.10 per cent) was used. The interest expense resulting from unwinding the discount is presented in interest expenses.

Provisions are not offset against reimbursement claims from third parties. Reimbursement claims are recognized separately in other assets if it is virtually certain that the group will receive the reimbursement when it settles the obligation.

Accruals are not presented as provisions, but under trade payables or other liabilities, based on their nature.

As part of the insurance business, the reinsured used vehicle warranty insurance contracts are accounted for pursuant to the provisions of IFRS 4. Reinsurance acceptances are recognized without delay in the year in which they arise. Provisions are recognized in principle in accordance with the contractual responsibilities of the cedants. Provisions for claims are determined using estimation techniques based on assumptions about the further development of claims. Claims are generally settled within a period of three months.

LIABILITIES

Non-current liabilities are carried at amortized cost in the statement of financial position. Differences between their historical cost and their repayment amount are accounted for using the effective interest method.

Liabilities to shareholders from puttable shares are recognized in the income statement at the present value of the redemption amount on the reporting date.

Lease liabilities are carried at the present value of the lease payments.

Current liabilities are recognized at their repayment or settlement value.

REVENUE AND EXPENSES

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from the sale of products is generally not recognized until the point in time when the service is provided or the significant opportunities and risks associated with ownership of the goods and products being sold are transferred to the buyer. Revenue is reported net of discounts, customer bonuses and rebates.

Sales allowances and other variable consideration is measured on the basis of experience and by taking into account the respective current circumstances. Vehicles are normally sold on payment terms. A trade receivable is recognized for the period between vehicle delivery and receipt of payment. Financing components included therein are only accrued if the period between the transfer of the goods and the payment of consideration is longer than one year and the amount to be accrued is material.

Revenue from receivables from financial services is recognized using the effective interest method. Income from operating leases is recorded on a straight-line basis over the term of the agreement.

Revenue from long-term construction contracts is recognized in accordance with the percentage of completion method.

If a contract comprises several separately identifiable components (multiple-element arrangements), these components are recognized separately in accordance with the principles outlined above. If services are sold to the customer together with the vehicle and the customer pays for them in advance, the group recognizes a corresponding contract liability until the services have been rendered. Examples of services that customers pay for in advance include servicing, maintenance and certain guarantee contracts, as well as mobile online services.

Sales revenue from extended warranties or maintenance agreements is recognized when deliveries take place or services are rendered. In the case of prepayments, deferred income is recognized proportionately by reference to the costs expected to be incurred, based on experience. Revenue is recognized on a straight-line basis if there is insufficient experience. If the expected costs exceed the accrued sales revenue, a loss is recognized from these agreements.

For extended warranties granted to customers for a specific model, a provision is generally recognized in the same way as for statutory warranties. If the warranty is optional for the customer or contains an additional service component, the related revenue is deferred and recognized over the warranty term.

Income from assets for which a group entity has a buy-back obligation is not recognized until the assets have finally left the group. If a fixed repurchase price was agreed when the contract was concluded, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Until the end of the contract term, the assets are reported in inventories in case of current contract end dates and in leased assets in the case of non-current contract end dates.

Sales revenue is generally measured at the price determined in the contract. If variable consideration (e.g., volume-based bonuses) has been agreed in a contract, the large number of contracts means that revenue is generally estimated using the expected value method. The most probable amount method may also be used in exceptional cases. Once the expected sales revenue has been estimated, an additional check is performed to determine whether there are uncertainties that make it necessary to reduce the revenue initially recognized in order to effectively rule out the risk of subsequently adjusting that revenue downwards. Provisions for reimbursements mainly result from dealer bonuses. In the case of multiple-element arrangements, the transaction price is allocated to the various performance obligations under the contract on the basis of the relative stand-alone selling prices. For reasons of materiality, the Porsche AG group generally recognizes non-vehicle-related services at their stand-alone selling price.

Revenue is generally recorded separately for each business transaction. If two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the criteria for revenue recognition are applied to these transactions as a whole. If, for example, loan or lease agreements in the financial services division are entered into at below market interest rates to promote sales of new vehicles, revenue is reduced by the incentive arising from the agreement.

In the case of financial instruments measured at amortized cost, interest income and expenses are determined using the effective interest rate.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for development costs not eligible for recognition as part of the cost of an asset.

Provisions for warranty claims are recognized upon sale of the related products.

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the cost of additions to warranty provisions. Research and development costs not eligible for capitalization and amortization of development costs are likewise carried under cost of sales. Interest and commission expenses incurred in connection with the financial services business are also reported in cost of sales.

Dividend income is recognized when the group's right to receive the payment is established.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. A contingent liability may also be a present obligation that arises from past events but is not recognized because an outflow of resources is improbable or the amount of the obligation cannot be measured with sufficient reliability.

GOVERNMENT GRANTS

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants for assets are deducted from the carrying amount of the asset when it is determined and recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. Government grants that compensate group companies for expenses incurred are recognized in profit or loss in the period and in the items where the expenses to be compensated were incurred.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements to a certain extent requires assumptions and estimates that have an effect on the recognition, measurement and presentation of the assets, liabilities, income and expenses as well as contingent assets and liabilities. These assumptions, judgments and estimates reflect all the information currently available. The assumptions and estimates relate to the following principal matters:

The estimation and determination of uniform group useful lives and depreciation methods for fixed assets subject to wear and tear (carrying amount of franchises, industrial rights and other intangible assets on December 31, 2020: €757 million (prior year: €626 million); carrying amount of capitalized development costs for products in use as of December 31, 2020: €3,196 million (prior year: €3,880 million), carrying amount of property, plant and equipment subject to wear and tear excluding factory and office buildings on December 31, 2020: €3,534 million (prior year: €3,879 million)) are based on past experience and are regularly reviewed. A change in estimates results in an adjustment to the residual useful life and, if appropriate, an impairment loss. The lease term is determined in accordance with IFRS 16 based on the non-cancellable period of the lease and an assessment of whether existing options to extend or terminate the lease will be exercised. The defined term and the discount rate used affect the amount of the right-of-use assets (carrying amount of right-of-use assets as of December 31, 2020: €940 million (prior year: €902 million)) and the lease liabilities (carrying amount of lease liabilities as of December 31, 2020: €964 million (prior year: €910 million)).

Determining the timing for the capitalization of development costs (carrying amount of the capitalized development costs as of December 31, 2020: €4,671 million (prior year: €4,450 million)) requires assumptions and estimates of probabilities, particularly with respect to the technical feasibility of the development work and the availability of adequate technical, financial and other resources such that the development can be completed and the development work can be used or sold.

Testing the non-financial assets for impairment (particularly capitalized development costs, financial assets accounted for using the equity method and at cost as well as measuring shares not traded in an active market and options on such (carrying amount of equity-accounted investments and other investments as of December 31, 2020: €384 million (prior year: €444 million)) requires assumptions with respect to the future cash flows in the planning period and also, if applicable, the discount rate used. The estimates required to be made for the purpose of deriving the cash flows relate mainly to future market shares, growth in the respective markets and the profitability of the products of the Porsche AG group.

The impairment testing of property, plant and equipment (carrying amount of property, plant and equipment as of December 31, 2020: €8,695 million (prior year: €8,624 million)) and leased assets (carrying amount of leased assets as of December 31, 2020: €3,614 million (prior year: €3,829 million)) is principally concerned with identifying indications that property, plant and equipment and leased assets may be impaired, which requires judgments to be made. The recoverability of the leased assets of the Porsche AG group additionally depends in particular on the estimate of the residual value of the leased vehicles after the end of the lease term as this constitutes a significant portion of the expected cash inflows (please refer to the section on impairments of leased assets in note **[15]**). For more information on impairment testing and on the measurement parameters used please refer to the explanations on accounting policies in the "Impairment testing" section.

In the absence of observable market values, the determination of the fair value of assets and liabilities acquired in a business combination is based on recognized valuation techniques such as the license price analogy method or the residual value method.

The designation of hedging instruments for hedge accounting requires in particular assumptions and estimates with respect to the underlying probabilities that revenue will be generated in the future from hedged currencies and with respect to the interest rates and the course of financing. The carrying amounts concerned are presented in the statement of changes in equity.

Testing financial assets for impairment requires estimates concerning the amount and probability of occurrence of future events. As far as possible, the estimates are arrived at on the basis of current market data as well as rating categories and scoring information based on experience. Further information on calculating loss allowances can be found in the notes to the statement of financial position in accordance with IFRS 7 (Financial Instruments note **[25]** and "Financial risk management and financial instruments").

The accounting treatment and measurement of provisions (carrying amount of provisions as of December 31, 2020: €8,832 million (prior year: €8,681 million)) is also based on the estimate of the amount and probability of occurrence of future events as well as the estimate of the discount rate. Experience or external appraisals are also drawn upon where possible. The measurement of provisions for pensions (carrying amount of provisions for pensions and similar obligations on December 31, 2020: €5,932 million (prior year: €5,438 million)) is additionally dependent on the estimated development of the plan assets. The assumptions underlying the calculation of provisions for pensions and similar obligations are presented in note **[25]**. Actuarial gains and losses from changes in measurement parameters are recorded directly in equity and have no effect on the result presented in the income statement. Changes in estimates relating to the amount of other provisions (carrying amount of other provisions as of December 31, 2020: €2,788 million (prior year: €3,114 million)) are always recorded in profit or loss. Provisions are regularly adjusted to take account of new information. Due to the use of expected values, it is often the case that unutilized provisions are reversed or that subsequent additions are made to provisions. Similarly to the expenses for recognizing new provisions, income from the reversal of provisions is allocated to the respective functions. Warranty claims from the vehicle sales business are determined taking account of past or estimated future losses and constructive warranties. This requires assumptions to be made about the nature and extent of future cases relating to guarantee, warranty and goodwill payments. For the provisions recognized, assumptions were made in particular in relation to working hours, material costs and hourly wage rates depending on the series, model year and country concerned. These assumptions are based on qualified estimates. The estimates rely on external data, taking into account additional information available internally such as experience relating to the parameters mentioned. In the fiscal year, contractual changes reduced the provision by €347 million.

For an overview of other provisions and provisions for warranty obligations see note **[26]** and for litigation see also note **[37]**.

Tax provisions were recognized for potential future payments of tax arrears while other provisions were recognized for ancillary tax payments arising in this connection.

Porsche AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Changes in tax legislation and court rulings and their interpretation by tax authorities in the respective countries may result in tax payments that differ from the estimates made in the financial statements.

Tax provisions are measured on the basis of the most likely value at which the risk will materialize. If there are multiple tax uncertainties, Porsche decides whether to account for them individually or in groups depending on which type of presentation is better suited to predicting the extent to which the tax risk will materialize. In the case of contracts for the cross-border provision of intragroup goods and services in particular, the pricing of individual products and services is complex. This is because in many cases there are no observable market prices for internally generated products, or because the use of market prices for similar products is subject to uncertainties because they are not comparable. In these cases (including for tax purposes), the prices are determined using uniform, generally accepted valuation techniques.

Deviations from the assumptions made in the estimation process may cause differences to arise compared to the original estimates.

Determining deferred tax assets (carrying amount of deferred tax assets as of December 31, 2020: €817 million (prior year: €1,355 million)) requires assumptions to be made concerning future taxable profit and the timing of the recoverability of the deferred tax assets. Income tax items included in the statement of financial position whose amount is uncertain are based on the best estimate of the expected tax payment.

The recognition of government grants is based on an assessment as to whether there is reasonable assurance that the group companies will fulfill the conditions attached the grant and they will in fact be awarded. This estimate is based on the type of legal right as well as past experience.

The assumptions and estimates are based on premises that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions deemed realistic as to the expected future development of the global and industry environment were used to estimate the company's future business performance. Since the future development of business is subject to uncertainty that cannot be fully controlled by the Porsche AG group, our assumptions and estimates continue to be subject to a high level of uncertainty. This applies in particular to short- and medium-term forecast cash flows, the discount rates used and forecast residual values.

Factors that may cause variances from the assumptions and estimates include new information about the buying behavior in the sales markets and in response to this changes in planning, dependency on suppliers, in particular exclusive suppliers, developments in exchange rates, interest rates and the prices of commodities as well as environmental or other legal provisions. Where the development of these circumstances differs from the assumptions and lies outside the control of management, the actual figures may differ from those originally expected. In such cases, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

As a result of the global spread of the coronavirus SARS-COV-2, the associated restrictive measures and the resulting disruption of supply and demand, the global economy recorded negative growth of 4.0 per cent in 2020 (prior year: positive growth of 2.6 per cent).
The Volkswagen Group's planning is based on the assumption that global economic output will recover overall in 2021, provided a successful, lasting containment of the Covid-19 pandemic is achieved.
Prior to the date of authorization for issue of the financial statements by the Executive Board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated statement of financial position would require any significant adjustment in the following reporting period.

Management's judgments and estimates were based in particular on assumptions about the general development of the economy, the development of automotive markets (such as technological developments), the legal environment as well as estimates of future losses and constructive warranties.

NEW ACCOUNTING STANDARDS

Porsche AG and its subsidiaries have applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2020.

Effective January 1, 2020, amendments to the definition of a business in IFRS 3 (Business Combinations) came into force. According to the new definition, a business only exists when a group of activities and assets include, at a minimum, an input and a substantive process that together significantly contribute to creating outputs. At the same time, the term output has been narrowed to goods and services for customers as well as investment income. It no longer includes the ability to reduce costs. Furthermore, it introduces an optional concentration test which can be used to rule out that a business has been acquired.

Furthermore, amendments to IFRS 16 entered into effect on June 1, 2020. These amendments exempt lessees from having to assess whether a rent concession in connection with the Covid-19 pandemic with regard to lease payments that would have originally fallen due by June 30, 2021 is a lease modification and allows the rent concession to instead be recognized as if it were not a lease modification. The Porsche AG group has elected not to exercise this option.

Furthermore, amendments to IFRS 9, IAS 39 as well as IFRS 7 (Interest Rate Benchmark Reform - Phase 1) have been mandatory since January 1, 2020. In the prior year, the Porsche AG group had voluntarily elected to early adopt these amendments to the standards. They affect hedges that were in place as of the beginning of the reporting period or that were subsequently designated as such. In application of the associated practical expedient, the Porsche AG group assumes that the effectiveness of designated hedges will not be adversely impacted by the IBOR reform, and consequently there is no need to terminate any hedges.

In addition, amendments to IAS 1 and IAS 8 came into force effective January 1, 2020 which clarify and standardize the term "material".

The above amendments do not materially affect the Porsche AG group's net assets, financial position and results of operations.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT APPLIED

In its 2020 consolidated financial statements, Porsche AG did not apply the following accounting standards that have already been issued by the IASB but for which application was not yet mandatory for the fiscal year.

Standard/Interpretation		Published by the IASB	Application obligation[1]	Acceptance by EU	Expected effect
IFRS 3	Updating References to the Conceptual Framework	May 14, 2020	January 1, 2022	No	No material effects
IFRS 4	Insurance Contracts – Extension of Temporary Exemption from IFRS 9	June 25, 2020	January 1, 2021	Yes	No effects
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39	Interest Rate Benchmark Reform (Phase 2)	August 27, 2020	January 1, 2021	Yes	No material effects
IFRS 17	Insurance Contracts	May 18, 2017	January 1, 2023[2]	No	No material effects
IFRS 17	Insurance Contracts – Amendments to IFRS 17	June 25, 2020	January 1, 2023	No	No material effects
IAS 1	Classification of Liabilities	January 23, 2020	January 1, 2023	No	No material effects
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	May 14, 2020	January 1, 2022	No	No material effects
IAS 37	Provisions: Onerous contracts – costs of fulfilling a contract	May 14, 2020	January 1, 2022	No	No material effects
	Annual Improvements to IFRSs (2018-2020 cycle)[3]	May 14, 2020	January 1, 2022	No	No material effects

[1] Mandatory first-time application from the point of view of Porsche AG and its subsidiaries on the basis of the IFRS effective date, subject to adoption by the EU if the EU endorsement process has yet to be completed.

[2] On June 25, 2020, the IASB published amendments to IFRS 17 resulting, among other things, in the date of initial application being postponed to January 1, 2023.

[3] Minor amendments to various IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

Voluntary early adoption of the changes before they become mandatory under the transitional provisions of the IASB is not planned.

Notes to the consolidated income statement

The consolidated income statement has been prepared using the function of expense method.

[1] SALES REVENUE

Sales revenue breaks down by type of product as follows:

€ million	2020	2019
Type of product		
Vehicles	**21,584**	21,970
Genuine parts	**1,534**	1,528
Used vehicles and third-party products	**1,056**	957
Rental and leasing business	**2,489**	2,356
Interest and similar income from financial services business	**208**	196
Hedges sales revenue	**– 285**	– 289
Other revenue	**2,109**	1,800
	28,695	**28,518**

Other revenue contains insurance premiums from warranty insurance for used vehicles of €85 million (prior year: €76 million). Otherwise, other revenue mainly contains income from engine deliveries, consulting, development services and workshop services.

Of the sales revenue recognized in the reporting period, €456 million (prior year: €499 million) was included in contract liabilities as of January 1, 2020. In addition to existing performance obligations from long-term construction contracts, most of which are expected to be satisfied and the revenue recognized by December 31, 2021, by far the majority of performance obligations not yet satisfied as of the reporting date relate to vehicle deliveries. Most of these deliveries had already been made as of the date this report was prepared, or will be made in Q1 2021.

The vast majority of the sales revenue expected from orders as of the reporting date relate to vehicle sales. The resulting sales revenue will be recognized in the short term. The services included in these vehicle sales that do not lead to sales revenue until subsequent years make up only an insignificant portion of expected sales revenue. Use is therefore made of the practical expedient pursuant to IFRS 15, according to which a quantified order backlog as of the reporting date is not disclosed on account of the short-term nature and lack of informative value.

[2] COST OF SALES

The cost of sales amounted to €21,598 million (prior year: €21,256 million) and mainly comprised production materials, personnel expenses, non-staff overheads and depreciation and amortization.

Cost of sales also contains interest expenses attributable to the financial services business amounting to €88 million (prior year: €103 million), impairment losses on leased assets amounting to €127 million (prior year: €117 million) and expenses for indemnification payments from warranty insurance for used vehicles amounting to €64 million (prior year: €51 million).

[3] DISTRIBUTION EXPENSES

Distribution expenses of €1,881 million (prior year: €2,044 million) include non-staff overheads and personnel expenses, depreciation and amortization charged in the distribution function as well as shipping, advertising and sales promotion costs incurred.

[4] ADMINISTRATIVE EXPENSES

Administrative expenses of €1,095 million (prior year: €1,029 million) mainly contain non-staff overheads and personnel expenses as well as depreciation and amortization charged in the administrative function.

[5] OTHER OPERATING INCOME

Other operating income breaks down as follows:

€ million	2020	2019
Income from reversal of valuation allowances on receivables and other assets	**28**	19
Income from reversal of provisions and accruals	**64**	100
Income from foreign currency hedging derivatives within hedge accounting	**159**	74
Income from other hedges	**44**	1
Income from foreign exchange gains	**184**	144
Income from cost allocations	**174**	216
Gains on asset disposals and the reversal of impairment losses	**25**	35
Miscellaneous other operating income	**275**	257
	953	**846**

Income from foreign exchange gains mainly comprises exchange rate gains between the date of origin and the date of payment of foreign exchange receivables and liabilities as well as foreign exchange gains from measurement as of the reporting date. Resulting exchange rate losses are included in other operating expenses.
Miscellaneous other operating income primarily comprises rental and lease income, as well as recourse income.

[6] OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

€ million	2020	2019
Valuation allowances on trade receivables	**17**	15
Valuation allowances on other receivables and other assets[1)]	**58**	41
Losses from foreign currency hedging derivatives within hedge accounting	**128**	123
Expenses from other hedges	**52**	8
Foreign exchange losses	**281**	146
Losses on disposal of non-current assets	**55**	22
Penalty notice prosecution Stuttgart (special factor diesel issue)	**–**	535
Miscellaneous other operating expenses	**306**	283
	897	**1,173**

The valuation allowances on other receivables and other assets include €0 million (prior year: €0 million) in valuation allowances on receivables under long-term construction contracts.
Expenses from foreign exchange gains/losses mainly contain exchange rate losses between the date of origin and the date of payment of foreign exchange receivables and liabilities. Exchange rate gains are included in other operating income.
In the prior year, the administrative order from the public prosecutor's office in Stuttgart providing for a total fine of €535 million was recognized under other operating expenses. Further information can be found in note [37].
Miscellaneous other operating expenses consist principally of other expenses for litigation costs and legal risks.

[7] SHARE OF PROFITS AND LOSSES OF EQUITY-ACCOUNTED INVESTMENTS

The share of profits and losses of equity-accounted investments amounted to negative €10 million (prior year: negative €1 million). Of the total amount, negative €5 million (prior year: €5 million) relates to associates and negative €5 million (prior year: negative €6 million) to joint ventures.

[8] INTEREST RESULT

€ million	2020	2019
Interest income	**406**	**416**
Other interest and similar income	**406**	416
Interest expenses	**– 129**	**– 148**
Other interest and similar expenses	**– 38**	– 23
Interest cost included in lease payments	**– 29**	– 29
Interest result on other liabilities	**– 2**	– 21
Net interest on the net defined benefit liability	**– 60**	**– 75**
Interest result	**277**	**268**

In the reporting period, borrowing costs of €13 million (prior year: €10 million) were capitalized, which were attributable to capitalized development costs. A borrowing rate 1.4 per cent (prior year: 1.6 per cent) was assumed for this purpose.

[9] OTHER FINANCIAL RESULT

€ million	2020	2019
Income from profit and loss transfer agreements	**–**	1
Cost of loss absorption	**– 0**	0
Other income from equity investments	**1**	7
Other expenses from equity investments	**– 125**	– 87
Income and expenses from securities and loans	**– 17**	12
Gains and losses from remeasurement and impairment of financial instruments	**130**	– 19
Gains and losses from fair value changes of derivatives not included in hedge accounting	**– 36**	11
Other financial result	**– 47**	**– 75**

The other expenses from equity investments include write-downs of €115 million on the equity-accounted investment in Bertrandt AG (prior year: €83 million).

[10] INCOME TAX

Income tax comprises the tax expense incurred on account of the consolidated tax group of Porsche Holding Stuttgart GmbH, Stuttgart, taxes currently owed by the companies comprising the consolidated tax group and taxes owed by the consolidated subsidiaries, as well as deferred taxes.

The income tax expense disclosed breaks down as follows:

€ million	2020	2019
Current tax expense, Germany	**871**	998
Current tax expense, other countries	**127**	270
Current tax expense	**998**	1,268
thereof relating to other periods	**2**	10
Deferred tax expense, Germany	**154**	– 35
Deferred tax income/expense, other countries	**79**	20
Deferred taxes	**233**	– 15
Income tax income/expense	**1,231**	**1,253**

The statutory corporate income tax rate for the 2020 assessment period in Germany was 15 per cent (prior year: 15 per cent). Including trade tax and the solidarity surcharge, this results in an aggregate tax rate of 30.0 per cent (prior year: 29.8 per cent). A tax rate of 30.0 per cent (prior year: 29.8 per cent) was applied to measure the deferred taxes in the German consolidated tax group.

The tax rates applied for foreign entities range between 0 per cent and 34 per cent (prior year: between 0 per cent and 34 per cent). In the case of split tax rates, the tax rate applicable to undistributed profits is applied. Tax rate changes led to measurement income (prior year: measurement income) in the reporting period of €0 million (prior year: €1 million).

The current tax expense was reduced by €6 million (prior year: €1 million) as a result of the utilization of previously unrecognized tax losses and tax credits and previously unrecognized temporary differences from prior periods. Where deferred taxes were concerned, the use of recognized tax losses in the fiscal year led to a decrease in the deferred tax expense in the amount of €0 million (prior year: €0 million).

No reversals of impairments or impairments on deferred tax assets were recognized for temporary differences in the reporting year (prior year: €0 million).

Previously unused tax loss carryforwards for which no deferred tax assets were recognized amounted to €52 million (prior year: €38 million). Of that amount, €40 million (prior year: €23 million) may be used without time limit, €11 million (prior year: €11 million) after more than 10 years as well as €0 million (prior year: 4 million) within 10 years.

In addition, deferred tax totaling €30 million (prior year: €49 million) was recognized on tax loss carryforwards and tax credits.

In accordance with IAS 12.39, deferred tax liabilities were not recognized for temporary differences on retained profits at subsidiaries of Porsche AG in the amount of €242 million (prior year: €216 million) because control is given.

The following reconciliation shows the differences between the expected income tax expense calculated using the group tax rate and the reported income tax expense:

€ million	2020	2019
Profit before tax	**4,397**	4,054
Group tax rate in %	**30.0**	29.8
Expected income tax expense	**1,319**	**1,208**
Effects of different tax rates	**– 37**	– 21
Effects of loss carryforwards and tax credits	**3**	–
Tax-exempt income and non-deductible business expenses	**54**	88
Taxes relating to other periods	**– 108**	– 20
Effect of tax rate changes	**3**	– 1
Other differences	**– 3**	– 1
Reported income tax expense	**1,231**	**1,253**
Effective tax rate in %	**28.0**	**30.9**

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual items of the statement of financial position and to tax loss carryforwards:

	Deferred tax assets		Deferred tax liabilities	
€ million	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Intangible assets, property, plant and equipment and leased assets	**37**	45	**2,394**	2,273
Other equity investments	**6**	5	**–**	–
Inventories	**23**	24	**14**	15
Receivables and other assets (including financial services)	**59**	53	**255**	74
Securities	**–**	1	**–**	–
Unused tax losses and tax credits	**30**	49	**–**	–
Provisions for pensions and similar obligations	**1,255**	1,130	**25**	21
Liabilities and other provisions	**1,263**	1,536	**44**	22
Gross value	**2,673**	**2,843**	**2,732**	**2,405**
Offsetting	**– 2,100**	– 1,773	**– 2,100**	– 1,773
Consolidation	**244**	285	**53**	49
Amount recognized in the consolidated statement of financial position	**817**	**1,355**	**685**	**681**

In accordance with IAS 12, deferred tax assets and liabilities are offset if they relate to the same taxation authority, are due in the same periods, and there is a legally enforceable right to set off the recognized amounts.

As of the reporting date, deferred taxes totaling €336 million (prior year: €969 million as an increase in equity) were recognized in the statement of financial position as a decrease in equity; these are allocable to income and expenses recorded in other comprehensive income.

Deferred taxes recorded in other comprehensive income in the fiscal year are detailed in the statement of comprehensive income.

[11] PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit/loss attributable to non-controlling interests amounts to €4 million (prior year: €5 million).

Notes to the consolidated statement of financial position

[12] DEVELOPMENT OF INTANGIBLE ASSETS

The intangible assets disclosed contain purchased development work, tool cost subsidies, capitalized development costs for vehicles and smart mobility, goodwill, licenses and software.

Total research and development in the reporting period (excluding amortization) developed as follows:

€ million	2020	2019
Research and non-capitalized development costs	**1,018**	1,220
Amortization of development costs	**972**	923
Research and development costs recognized in the income statement	**1,990**	**2,143**
Investment in capitalized development costs	**1,225**	949
Research and development costs (without amortization)	**2,243**	**2,169**

Investment in capitalized development costs contains capitalized borrowing costs of €13 million (prior year: €10 million).

The carrying amount of goodwill in the Porsche AG group as of December 31, 2020 amounts to €9 million (prior year: €9 million).

Most of the existing goodwill is attributable to MHP Management- und IT-Beratung GmbH, Ludwigsburg (€4 million) and Porsche Enterprises, Inc., Wilmington, Delaware, USA (€3 million).

Intangible assets developed as follows:

€ million	Franchises, industrial and similar rights	Capitalized development costs for products currently in use	Capitalized development costs for products under development	Goodwill	Total
Cost					
Balance at Jan. 1, 2019	1,368	6,254	1,061	10	8,693
Foreign exchange differences	1	–	–	–	1
Changes in consolidated group	0	–	–	–	0
Additions	238	504	445	–	1,187
Transfers	10	936	– 936	–	10
Disposals	16	–	–	–	16
Balance at Dec. 31, 2019	**1,601**	**7,694**	**570**	**10**	**9,875**
Amortization and impairment					
Balance at Jan. 1, 2019	872	2,891	–	1	3,764
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	0	–	–	–	0
Additions	119	923	–	–	1,042
Transfers	– 8	–	–	–	– 8
Disposals	8	–	–	–	8
Balance at Dec. 31, 2019	**975**	**3,814**	**–**	**1**	**4,790**
Cost					
Balance at Jan. 1, 2020	**1,601**	**7,694**	**570**	**10**	**9,875**
Foreign exchange differences	– 3	–	–	–	– 3
Changes in consolidated group	0	–	–	–	0
Additions	305	91	1,134	–	1,530
Transfers	22	197	– 197	–	22
Disposals	4	–	32	–	36
Balance at Dec. 31, 2020	**1,921**	**7,982**	**1,475**	**10**	**11,388**
Amortization and impairment					
Balance at Jan. 1, 2020	**975**	**3,814**	**–**	**1**	**4,790**
Foreign exchange differences	– 2	–	–	–	– 2
Changes in consolidated group	0	–	–	–	0
Additions	193	965	–	–	1,158
Transfers	0	–	–	–	0
Additions to cumulative impairment losses	–	7	–	–	7
Disposals	2	–	–	–	2
Balance at Dec. 31, 2020	**1,164**	**4,786**	**–**	**1**	**5,951**
Net carrying amount as of Dec. 31, 2019	626	3,880	570	9	5,085
Net carrying amount as of Dec. 31, 2020	**757**	**3,196**	**1,475**	**9**	**5,437**

[13] DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

€ million	Land, land rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
Balance at Jan. 1, 2019	3,888	1,945	7,677	1,817	15,327
Foreign exchange differences	23	– 1	2	–	24
Changes in consolidated group	–	–	–	–	–
Additions	293	205	976	500	1,974
Transfers	631	382	366	– 1,389	– 10
Disposals	25	15	104	4	148
Balance at Dec. 31, 2019	**4,810**	**2,516**	**8,917**	**924**	**17,167**
Depreciation and impairment					
Balance at Jan. 1, 2019	803	1,175	5,590	0	7,568
Foreign exchange differences	3	–	2	–	5
Changes in consolidated group	–	–	–	–	–
Additions	194	214	668	–	1,076
Additions to cumulative impairment losses	–	–	–	–	–
Transfers	– 2	–	10	–	8
Disposals	9	12	93	–	114
Balance at Dec. 31, 2019	**989**	**1,377**	**6,177**	**0**	**8,543**
Cost					
Balance at Jan. 1, 2020	4,810	2,516	8,917	924	17,167
Foreign exchange differences	– 53	– 1	– 10	–	– 64
Changes in consolidated group	1	–	3	–	4
Additions	420	139	372	512	1,443
Transfers	218	84	94	– 418	– 22
Disposals	63	188	515	7	773
Balance at Dec. 31, 2020	**5,333**	**2,550**	**8,861**	**1,011**	**17,755**
Depreciation and impairment					
Balance at Jan. 1, 2020	989	1,377	6,177	0	8,543
Foreign exchange differences	– 10	–	– 5	–	– 15
Changes in consolidated group	–	–	–	–	–
Additions	225	223	767	–	1,215
Additions to cumulative impairment losses	–	1	–	–	1
Transfers	–	– 19	19	–	–
Disposals	21	172	491	–	684
Balance at Dec. 31, 2020	**1,183**	**1,410**	**6,467**	**0**	**9,060**
Net carrying amount as of Dec. 31, 2019	3,821	1,139	2,740	924	8,624
Net carrying amount as of Dec. 31, 2020	**4,150**	**1,140**	**2,394**	**1,011**	**8,695**

[14] DEVELOPMENT OF EQUITY-ACCOUNTED INVESTMENTS AND OTHER INVESTMENTS

€ million	Investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2019	368	100	468
Foreign exchange differences	–	–	–
Changes in consolidated group	–	–	–
Additions	20	104	124
Changes recognized directly in equity	–	–	–
Changes recognized in profit or loss	– 1	–	– 1
Dividends	– 6	–	– 6
Disposals	–	52	52
Balance at Dec. 31, 2019	**381**	**152**	**533**
Impairments			
Balance at Jan. 1, 2019	–	2	2
Additions	83	4	87
Balance at Dec. 31, 2019	**83**	**6**	**89**
Cost			
Balance at Jan. 1, 2020	381	152	533
Foreign exchange differences	–	– 2	– 2
Changes in consolidated group	–	28	28
Additions	–	59	59
Changes recognized directly in equity	– 1	– 1	– 2
Changes recognized in profit or loss	– 10	– 3	– 13
Dividends	– 5	–	– 5
Disposals	–	–	–
Balance at Dec. 31, 2020	**365**	**233**	**598**
Impairments			
Balance at Jan. 1, 2020	83	6	89
Changes in consolidated group	–	2	2
Additions	115	8	123
Balance at Dec. 31, 2020	**198**	**16**	**214**
Net carrying amount as of Dec. 31, 2019	298	146	444
Net carrying amount as of Dec. 31, 2020	**167**	**217**	**384**

The equity-accounted investments include associates amounting to €120 million (prior year: €247 million) and joint ventures amounting to €47 million (prior year: €51 million).
Additions to equity-accounted investments amounted to €0 million in fiscal year 2020 (prior year: €20 million). Further details can be found under "Basis of Consolidation".

[15] DEVELOPMENT OF LEASED ASSETS AND TOTAL FIXED ASSETS

€ million	**Leased assets**	**Total fixed assets**
Cost		
Balance at Jan. 1, 2019	5,288	29,776
Foreign exchange differences	121	146
Changes in consolidated group	–	–
Additions	2,117	5,402
Changes recognized in profit or loss	–	– 1
Transfers	–	–
Dividends	–	– 6
Disposals	2,049	2,265
Balance at Dec. 31, 2019	**5,477**	**33,052**
Depreciation and impairment		
Balance at Jan. 1, 2019	1,512	12,846
Foreign exchange differences	36	41
Changes in consolidated group	–	0
Additions	752	2,870
Additions to cumulative impairment losses	117	204
Disposals	739	861
Reversal of impairment losses	30	30
Balance at Dec. 31, 2019	**1,648**	**15,070**
Cost		
Balance at Jan. 1, 2020	5,477	33,052
Foreign exchange differences	– 430	– 499
Changes in consolidated group	–	32
Additions	2,323	5,355
Changes recognized directly in equity	–	– 2
Changes recognized in profit or loss	–	– 13
Transfers	– 11	– 11
Dividends	–	– 5
Disposals	2,193	3,002
Balance at Dec. 31, 2020	**5,166**	**34,907**
Depreciation and impairment		
Balance at Jan. 1, 2020	1,648	15,070
Foreign exchange differences	– 135	– 152
Changes in consolidated group	–	2
Additions	743	3,116
Additions to cumulative impairment losses	127	258
Disposals	814	1,500
Reversal of impairment losses	17	17
Balance at Dec. 31, 2020	**1,552**	**16,777**
Net carrying amount as of Dec. 31, 2019	3,829	17,982
Net carrying amount as of Dec. 31, 2020	**3,614**	**18,130**

Leased assets contain assets leased to customers under the terms of operating leases. Any impairment of leased assets from these vehicle leasing contracts is recognized as an impairment loss in the consolidated financial statements. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. Impairment losses in fiscal year 2020 amounted to €127 million (prior year[1]: €117 million).

Group entities in the financial services division act as lessor, primarily leasing their own products.

1) Prior-year figures adjusted

[16] INVENTORIES

Inventories break down as follows:

€ million	Dec. 31, 2020	Dec. 31, 2019
Raw materials, consumables and supplies	**341**	324
Work in progress	**238**	238
Finished goods and merchandise	**3,461**	3,450
Current rental and leasing assets	**9**	–
Advance payments made	**59**	1
	4,108	**4,013**

Of the total inventories reported as of the reporting date of €4,108 million (prior year: €4,013 million), an amount of €40 million (prior year: €64 million) is recognized at net realizable value. Inventories of €19,515 million (prior year: €19,069 million) were expensed at the time revenue was recognized. The write-downs recognized in profit or loss in the reporting period amounted to €47 million (prior year: €131 million) and resulted from the remeasurement of used vehicles. Reversals of write-downs of €3 million (prior year: €3 million) were recognized in profit or loss in the reporting period. Of the total amount of inventories, leased vehicles returned amounting to €31 million (prior year: €39 million) are pledged as security under asset-backed securities transactions.

[17] TRADE RECEIVABLES

€ million	Dec. 31, 2020	Dec. 31, 2019
Trade receivables	**1,081**	842
	1,081	**842**

The maximum default risk corresponds to the carrying amounts of the net receivables. The fair values of the trade receivables essentially correspond to the carrying amounts due to the remaining terms. Of the total amount of trade receivables, €0 million (prior year: €0 million) is due in more than one year.

[18] NON-CURRENT AND CURRENT FINANCIAL SERVICES RECEIVABLES

As of the end of the reporting period, financial services receivables break down as follows:

		CARRYING AMOUNT		**FAIR VALUE**		**CARRYING AMOUNT**		**FAIR VALUE**
€ million	**Current**	**Non-current**	**Dec. 31, 2020**	**Dec. 31, 2020**	**Current**	**Non-current**	**Dec. 31, 2019**	**Dec. 31, 2019**
Receivables from financing business					–	–		–
Customer financing	529	1,393	1,922	**1,980**	307	832	1,139	1,178
Dealer financing	9	–	9	**9**	16	–	16	16
Direct banking	–	–	–	**–**	–	–	–	–
	538	**1,393**	**1,931**	**1,989**	**323**	**832**	**1,155**	**1,194**
Receivables from operating leases	16	–	16	**16**	11	–	11	11
Receivables from finance leases	568	1,021	1,589	**1,630**	508	1,009	1,517	1,557
	1,122	**2,414**	**3,536**	**3,635**	**842**	**1,841**	**2,683**	**2,762**

[19] NON-CURRENT AND CURRENT OTHER FINANCIAL ASSETS

As of the end of the reporting period, other financial assets break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019
Positive fair value of derivative financial instruments	148	591	**739**	45	130	**175**
Miscellaneous financial assets	2,613	8,279	**10,892**	2,370	8,220	**10,590**
	2,761	**8,870**	**11,631**	**2,415**	**8,350**	**10,765**

The miscellaneous financial assets include receivables due from Porsche Holding Stuttgart GmbH in the amount of €9,951 million (prior year: €9,712 million). These relate to loan receivables of €8,135 million (prior year: €8,135 million) due in more than one year and the current clearing account and interest receivables of Porsche AG amounting to €1,816 million (prior year: €1,577 million).

In addition, the miscellaneous financial assets include restricted cash in the amount of €276 million (prior year: €242 million). This relates to collected customer payments for receivables sold under asset-backed securities programs, which have to be passed on to the contracting partners in a timely manner, as well as collateral in connection with vehicle financing. There are also restrictions on the use of credits accrued under phased retirement schemes in accordance with section 8a of the German Phased Retirement Act (Altersteilzeitgesetz – AtzG) in connection with statutory insolvency insurance.

No significant valuation allowances were recognized for miscellaneous financial assets. The maximum default risk corresponds to the net carrying amounts of miscellaneous financial assets.

The positive fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2020	Dec. 31, 2019
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	**678**	113
Hedging transactions (interest and currency)	**678**	**113**
Assets related to derivatives not included in hedging relationships	**61**	62
	739	**175**

Further details on derivative financial instruments as a whole are given in note **[34]**.

[20] NON-CURRENT AND CURRENT OTHER RECEIVABLES

As of the end of the reporting period, other receivables break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019
Other recoverable income taxes	306	0	**306**	258	0	**258**
Miscellaneous receivables	288	164	**452**	219	179	**398**
Conditional receivables from long-term construction contracts[1]	12	–	**12**	13	–	**13**
	606	**164**	**770**	**490**	**179**	**669**

[1] The prior-year figures were adjusted.

Miscellaneous receivables included prepaid expenses in the amount of €219 million (prior year: €216 million). These are primarily attributable to rent and marketing expenses, as well as prepaid maintenance costs for hardware and software.

The current other receivables are mainly non-interest-bearing.

Other receivables include contingent receivables under long-term construction contracts recognized in application of the percentage of completion method. They correspond to the contract assets from contracts with customers, and developed as follows:

€ million	2020	2019
Contingent construction contract receivables Balance at Jan. 1	**13**	13
Additions and disposals	**– 1**	– 1
Changes in consolidated group	**–**	–
Change in valuation allowances	**0**	1
Changes in estimates and assumptions as well as contract modifications	**–**	–
Foreign exchange differences	**–**	–
Contingent construction contract receivables at Dec. 31	**12**	**13**

The contingent receivables from long-term construction contracts break down as follows:

€ million	Dec. 31, 2020	Dec. 31, 2019
Contract costs including outcome of the long-term construction contracts	**78**	98
thereof services billed to customers	**– 38**	– 45
Future receivables from long-term construction contracts	**40**	53
Advance payments received	**– 28**	– 40
	12	**13**

The revenue from long-term construction contracts totals €101 million (prior year: €124 million). Contracts and parts of contracts billed to customers are presented within trade receivables. No material write-downs were recognized for these.

[21] TAX ASSETS

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019
Deferred tax assets	–	817	**817**	–	1,355	**1,355**
Tax receivables	163	–	**163**	95	–	**95**
	163	**817**	**980**	**95**	**1,355**	**1,450**

Of the deferred tax assets, an amount of €537 million (prior year: €780 million) relates to recognition and measurement differences between the IFRS consolidated statement of financial position and the tax base that will reverse within a year.

[22] SECURITIES

The securities serve to safeguard liquidity. They are short-term fixed-income securities and shares. The securities are measured at fair value. Non-current securities amounting to €91 million (prior year: €63 million) were furnished as collateral for financial liabilities and contingent liabilities. The recipient of collateral has no original right of disposal or pledge with respect to the furnished collateral.

[23] CASH, CASH EQUIVALENTS AND TIME DEPOSITS

Cash, cash equivalents and time deposits of €4,500 million (prior year: €3,511 million) consist of checks, cash on hand, bank balances, balances with affiliated companies and time deposits. Bank balances are held at various banks in different currencies. Balances with affiliated companies comprise overnight or short-term deposits that are only subject to an immaterial risk of fluctuations in value.

[24] EQUITY

The composition and development of equity and of non-controlling interests is presented in the statement of changes in equity.

SUBSCRIBED CAPITAL

Porsche AG's subscribed capital amounts to €45,500,000 (prior year: €45,500,000) and is divided into 45,500,000 (prior year: 45,500,000) no-par-value shares, each with a pro rata share of €1 of the share capital. All shares in Porsche AG are held by Porsche Holding Stuttgart GmbH. A control and profit and loss transfer agreement is in place between Porsche Holding Stuttgart GmbH and Porsche AG.

CAPITAL RESERVES

The capital reserves contain contributions from premiums and other capital contributions and increased by €1,028 million (prior year: €1,273 million) to €13,754 million in the reporting period (prior year: €12,726 million). The increase during the fiscal year related to two cash capital contributions of €258 million (prior year: €256 million) and €770 million (prior year: €1,017 million) by Porsche Holding Stuttgart GmbH.

RETAINED EARNINGS

Retained earnings include the reserve for accumulated profits and the reserve for remeasurements from pension plans.

The reserve for accumulated profits includes the profits earned in the reporting year and those earned by consolidated subsidiaries in prior years and not yet distributed as well as transactions recognized within equity. The profit transferred to Porsche Holding Stuttgart GmbH on account of the profit and loss transfer agreement amounted to €1,860 million (prior year: €1,798 million).

Changes in pension provisions recognized directly in equity are posted to the reserve for remeasurements from pension plans.

OTHER RESERVES

The other reserves are the reserves for currency translation, for cash flow hedges (OCI I), for deferred hedging costs (OCI II), for equity and debt instruments, and for equity-accounted investments.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. In addition, exchange differences from the translation of capital have been reported in this reserve to allow the uniform recording of foreign currency effects within equity.

The cash flow hedge reserve (OCI I) is only used to record the designated effective portions of changes in the value of hedging instruments. By contrast, the non-designated portions of changes in the value of hedging instruments are accounted for through the reserve for deferred hedging costs (OCI II).

The reserve for equity-accounted investments is used to record the proportionate changes in equity-accounted equity investments recognized in other comprehensive income.

NON-CONTROLLING INTERESTS

Non-controlling interests in equity relate to 25 per cent of the shares in Porsche Taiwan Motors Ltd., Taipei.

CAPITAL MANAGEMENT

The Porsche AG group's capital management ensures that it is possible to realize the group's objectives and strategies in the interests of the shareholder, employees and other stakeholders. The primary objective of capital management at the Porsche AG group is to ensure the financial flexibility necessary to realize its value-adding business and growth targets and to increase its enterprise value over the long term. The management's focus lies in particular on generating the shareholder's desired minimum return on invested capital in the automotive division and on increasing the return on equity in the financial services division. In general, the aim of the Porsche AG group and its divisions is to achieve as high a return as possible to the benefit of all stakeholders in the company.

In order to structure the use of resources as efficiently as possible in the automotive division and to measure its success, we apply a value-driven management concept based on value contributed as an absolute performance indicator and return on investment (ROI) as a relative performance indicator.

Value contributed is determined by calculating the difference between operating profit after tax and the opportunity cost of invested capital. The opportunity cost of capital is calculated by multiplying the cost of capital stipulated by the shareholder by the average invested capital. Invested capital is calculated as total operating assets (property, plant and equipment, intangible assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received). Average invested capital is calculated using total assets at the beginning and the end of the reporting year. In the reporting year, the automotive division contributed a significantly positive value of €1,805 million (prior year: €1,695 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. If the return on investment exceeds the cost of capital stipulated by the shareholder, this results in an appreciation of the invested capital, or positive value contributed. In the automotive division, the return on investment for the reporting year amounted to 18.1 per cent (prior year: 18.5 per cent), which was significantly above the minimum return of 9 per cent required by the shareholder.

Given the particular features of the financial services division, control focuses on the return on equity, a target indicator which is based on the equity invested. This indicator is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the balance at the beginning and the end of the reporting year. In addition, the financial services division aims to satisfy the capital requirements of the banking supervisory authorities, as well as to obtain the necessary equity to finance the growth planned for the coming fiscal years and to support external ratings by ensuring capital adequacy.

The return on investment and value contributed in the automotive division and the return on equity and equity ratio in the financial services division are presented in the tables below:

€ million	2020	2019
Automotive division		
Operating profit after tax	**2,815**	2,573
Assets invested (average)	**15,542**	13,934
Return on investment (RoI) in %	**18.1**	**18.5**
Cost of capital in %	**6.5**	6.3
Opportunity cost of invested capital	**1,010**	878
Value contributed	**1,805**	**1,695**
Financial services division		
Profit before tax	**192**	203
Average equity	**1,308**	1,215
Pre-tax return on equity in %	**15**	**17**
Equity ratio in %	**15**	**16**

In conjunction with the Porsche AG group's debenture bond arrangements, it was agreed that the Porsche AG group would comply with a covenant to maintain a minimum equity ratio of 20 per cent. With an equity ratio of 44 per cent (prior year: 41 per cent), the group satisfied this covenant in full in the reporting period.

[25] PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations.

Group companies provide both defined contribution plans and defined benefit plans. In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions are recognized as expenses of the period concerned. In the reporting period, they amounted to €221 million (prior year: €209 million) in the group as a whole. Of that amount, contributions to the compulsory state pension system in Germany amounted to €214 million (prior year: €202 million).

Most pension plans are defined benefit plans, with a distinction made between unfunded benefit obligations and externally funded plans. The defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. The defined benefit obligations are recognized at the present value of vested benefits as of the measurement date taking probable future increases in pensions and salaries into account. The defined benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current period.

The Porsche AG group offers its employees benefits from a modern and attractive pension scheme for the time after their active working life. A substantial part of the benefit obligations are pension plans for employees in Germany that are classified as defined benefit plans within the meaning of IAS 19 and that are covered by collective agreements. These obligations are exclusively financed through the recognition of provisions in the statement of financial position.

Both defined contribution pension obligations with guarantees and pension obligations based on the final salary payment have been entered into in connection with employer-funded pension plans. In the case of defined contribution obligations, an annual income-related service cost is converted into a lifelong pension entitlement based on annuity conversion factors (guaranteed components). The annuity conversion factors contain a guaranteed yield. At retirement, the pension components earned each year are added.

Defined benefit obligations with guarantees have been entered into for employee-funded pension plans. The annual service cost (according to individual deferred compensation agreements) is converted to capital components by multiplying them with age factors. A guaranteed yield is integrated in the age factors. At retirement, the pension components earned each year are paid out either as a lump sum or in multiple installments. If a pension is to be paid, this is calculated by converting the capital for pension benefits into an annuity.

Most of the benefits relate to Porsche AG. Porsche also provides conversion models, where Porsche employees can make their own contributions to establish an additional personal pension account.

ACTUARIAL ASSUMPTIONS

The defined benefit obligations are calculated using actuarial methods. These include assumptions concerning discount rates, future wage and salary developments and pension increases. These parameters are estimated annually by the company. Actuarial gains or losses result from changes in the composition of the plan and deviations of actual parameters (for example, increases in income and pensions or changes in interest rates) from the assumptions made in the calculation in the prior year. These are recognized directly in equity in the period in which they were incurred taking into account deferred taxes.

The present value of the obligations is reported as the present value of the guaranteed obligation and the plan assets. A provision is recognized for any excess between the present value of the guaranteed obligations and the plan assets.

The measurement is based on the following assumptions:

	Germany		United Kingdom		USA	
%	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Discount rate	**0.80**	1.10	**1.40**	2.00	**2.85**	3.40
Increase in salaries	**2.80**	2.90	**2.60**	2.90	**3.25**	3.25
Employee turnover rate	**0.70**	0.70	**3.50**	–	**–**	–
Medical cost increase rate	**–**	–	**–**	–	**4.50**	4.50
Career progression	**0.50**	0.50	**–**	–	**–**	–
Increase in pensions	**1.50**	1.50	**2.10**	2.40	**–**	–

Discount rates are generally determined based on the return on high-quality corporate bonds whose terms and currency match the respective obligations. The iBoxx AA Corporate Bond index was used as a basis for the obligations pertaining to the group's entities in Germany. Comparable indices are used for foreign pension obligations.

The way in which the yield for German pension obligations is determined was modified extensively in 2020, largely by changing the calculation method to the Aon Eurozone Yield Curve method. This results in a transition effect of €359 million (causing provisions to decrease).

Increases in pensions correspond to either the contractually agreed guaranteed adjustments or are based on the rules applicable locally in each respective country for pension adjustments.

The present value of the guarantee obligation increases as interest rates fall and is thus exposed to interest rate risks.

The pension system provides for lifelong pension payments. To this extent, the entities bear the longevity risk. This is accounted for by using the most recent mortality tables (2018 G mortality tables by Prof. Dr. Klaus Heubeck) to determine the present value of the guaranteed obligation.

To reduce the inflation risk inherent in adjusting current pension payments by the inflation rate, a pension adjustment that is not linked to inflation was introduced for pension obligations where this legally permitted.

The effects of a one percentage point increase or decrease in the assumed medical cost increase rate when calculating the obligations for the medical costs of the US entities' employees are as follows:

	Increase		Decrease	
€ million	**2020**	**2019**	**2020**	**2019**
Current service and interest cost	**0**	0	**0**	0
Post-employment medical benefits	**0**	0	**0**	0

Amounts recognized in profit or loss break down as follows:

€ million	**2020**	**2019**
Current service cost	**501**	332
Net interest expense (+) / income (-)	**60**	75
Past service cost (including plan curtailments)	**-77**	0
Gains (-) / losses (+) from plan settlements	**-0**	0
Net benefit expense	**484**	**407**

The figures above are generally included in the personnel expenses for the respective functions. The net interest expense/income from unwinding the discount on the obligation and the return on plan assets is reported in interest expenses.

The income from past service cost in 2020 largely resulted from a plan amendment in connection with the new job security agreement of the employer-funded pension plans at Porsche AG.

The development of the present value of pension obligations is presented in the following table:

€ million	2020	2019
As of Jan. 1	**5,558**	3,896
Foreign exchange differences	**– 11**	5
Current service cost	**501**	332
Interest expense	**63**	79
Past service cost (including plan curtailments)	**– 77**	0
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	**-427**	0
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	**482**	1.222
Actuarial gains (-)/losses (+) arising from experience adjustments	**-52**	13
Employee contributions to plan assets	**0**	0
Pension payments from plan assets	**-5**	-5
Pension payments from company assets	**-46**	-41
Gains (-) / losses (+) from plan settlements	**-0**	0
Changes in consolidated group	**8**	–
Other changes	**1**	0
Employee contributions	**63**	57
As of Dec. 31	**6,058**	**5,558**

The actuarial gains/losses caused by changes in demographic assumptions largely result from the change in assumptions on the payment model for the employee-funded pension plans (deferred compensation) in Germany.

Changes to key actuarial assumptions would have had the following effects on the defined benefit obligation:

			Dec. 31, 2020		**Dec. 31, 2019**
Present value of defined benefit obligation if		**€ million**	**change in percent**	**€ million**	**change in percent**
Discount trend	is 0.5 percentage points higher	5,304	– 12.45	4,771	– 14.16
	is 0.5 percentage points lower	6,975	15.14	6,518	17.27
Payroll trend	is 0.5 percentage points higher	6,148	1.49	5,662	1.87
	is 0.5 percentage points lower	5,988	– 1.16	5,474	– 1.51
Pension trend	is 0.5 percentage points higher	6,413	5.86	5,889	5.96
	is 0.5 percentage points lower	5,741	– 5.23	5,262	– 5.33
Longevity	increase by one year	6,232	2.87	5,747	3.40

Each of the sensitivity analyses presented is based on changes to one assumption ceteris paribus, i.e., possible interdependencies between the individual assumptions are not taken into account.

To analyze the sensitivity of the present value of the defined benefit obligation due to a change in the assumed longevity, the mortality rates assumed in the comparative calculation are reduced so as to increase longevity by roughly one year.

The weighted-average term of the defined benefit obligation based on the present value of the obligation (Macaulay Duration) amounts to 28 years (prior year: 30 years).

The present value of the defined benefit obligation is allocable among the plan members as follows:

€ million	2020	2019
Active members with pension entitlements	**5,064**	4,637
Members with vested entitlements who have left the company	**280**	263
Pensioners	**714**	658

A maturity profile of payments under defined benefit obligations is presented in the following based on an allocation of the present value of the obligation to the maturity of the underlying payments:

€ million	2020	2019
Payments due within the next fiscal year	**64**	48
Payments due between two and five years	**298**	236
Payments due in more than five years	**5,696**	5,274

Development of plan assets at fair values:

€ million	2020	2019
As of Jan. 1	**120**	104
Foreign exchange differences	**– 7**	4
Interest income on plan assets determined using the discount rate	**3**	4
Income/expenses from plan assets not included in interest income	**8**	7
Benefits paid	**– 5**	– 5
Employer contributions	**6**	6
Employee contributions	**1**	0
Other changes	**– 0**	–
As of Dec. 31	**126**	120

Plan assets are invested in the following categories:

€ million	Dec. 31, 2020 Quoted prices in active markets	No quoted prices in active markets	Total	Dec. 31, 2019 Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	8	–	**8**	14	–	**14**
Equity instruments	12	–	**12**	17	–	**17**
Derivative financial instruments	0	–	**0**	0	–	**0**
Equity funds	28	–	**28**	40	–	**40**
Pension funds	40	–	**40**	12	–	**12**
Real estate funds	1	–	**1**	1	–	**1**
Other funds	36	–	**36**	35	–	**35**
Other	1	0	**1**	1	0	**1**
Fair value of plan assets	**126**	**0**	**126**	**120**	**0**	**120**

64 per cent of plan assets are invested in assets in the United Kingdom, 29 per cent are invested in assets in the United States, 7 per cent are invested in assets in Switzerland. Contributions to plan assets are expected to total €9 million for the following fiscal year.

The change in the net liability compared to the prior year is presented below:

€ million	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
			2020			**2019**
As of Jan. 1	5,558	– 120	**5,438**	3,896	– 104	**3,792**
Foreign exchange differences	– 11	7	**– 4**	5	– 4	**1**
Current service cost	501	–	**501**	332	–	**332**
Interest expense/income	63	– 3	**60**	79	– 4	**75**
Past service cost (including plan curtailments)	– 77	–	**– 77**	0	–	**0**
Income/expenses from plan assets not included in interest income	–	– 8	**– 8**	–	– 7	**– 7**
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	-427	–	**-427**	0	–	**0**
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	482	–	**482**	1,222	–	**1,222**
Actuarial gains (-)/losses (+) arising from experience adjustments	-52	–	**-52**	13	–	**13**
Employee contributions to plan assets	0	-1	**-1**	0	0	**0**
Pension payments from plan assets	-5	5	**0**	-5	5	**0**
Employer contributions	–	-6	**-6**	–	-6	**-6**
Pension payments from company assets	-46	–	**-46**	-41	–	**-41**
Gains (-) / losses (+) from plan settlements	-0	–	**0**	0	–	**0**
Changes in consolidated group	8	–	**8**	–	–	**–**
Other changes	1	–	**1**	0	–	**0**
Employee contributions	63	–	**63**	57	–	**57**
As of Dec. 31	**6,058**	**-126**	**5,932**	**5,558**	**-120**	**5,438**

The following amounts were recognized in the statement of financial position for defined benefit obligations:

€ million	Dec. 31, 2020	Dec. 31, 2019
Present value of funded benefit obligations	**169**	163
Fair value of plan assets	**– 126**	– 120
Funded status (net)	**43**	43
Present value of unfunded benefit obligations	**5,889**	5,395
As of Dec. 31	**5,932**	**5,438**
thereof pension provisions	**5,932**	5,438
thereof other receivables	**–**	–

As of the reporting date, remeasurements from pension plans before tax of €6 million were recognized as an increase in equity (prior year: decrease in equity of €1,230 million).

[26] NON-CURRENT AND CURRENT OTHER PROVISIONS

€ million	Obligations arising from sales	Employee expenses	Miscellaneous provisions	Total
Balance at Jan. 1, 2019	**1,357**	**718**	**654**	**2,729**
Foreign exchange differences	7	1	0	8
Changes in consolidated group	–	–	–	–
Utilization	688	505	133	1,326
Additions/New provisions	914	567	380	1,861
Unwinding of discount/effect of change in discount rate	2	18	–	20
Reversal	13	8	157	178
Balance at Dec. 31, 2019	**1,579**	**791**	**744**	**3,114**
thereof current	857	558	703	2,118
thereof non-current	722	233	41	996
Balance at Jan. 1, 2020	**1,579**	**791**	**744**	**3,114**
Foreign exchange differences	– 19	– 3	– 7	– 29
Changes in consolidated group	–	2	0	2
Utilization	844	533	180	1,557
Additions/New provisions	646	561	338	1,545
Unwinding of discount/effect of change in discount rate	0	0	–	0
Reversal	127	8	152	287
Balance at Dec. 31, 2020	**1,235**	**810**	**743**	**2,788**
thereof current	652	503	694	1,849
thereof non-current	583	307	49	939

Provisions for obligations arising from sales primarily concern warranty obligations, marketing services and bonuses. The warranty obligations in the Porsche AG group mainly arise from product warranties granted for the vehicles it produces. The provisions include both estimated expenses from legal and contractual guarantee claims as well as estimated expenses for constructive warranties. The provisions are recognized taking account of the past or estimated future claims pattern per type of model and construction year. Individual technical risks identified are recorded separately. The timing of the utilization of the warranty provisions depends on the occurrence of the guarantee/warranty claim and can extend over the entire legal and constructive warranty period. Provisions for expected repair measures have been recognized for the vehicles affected by the diesel issue, as described in note **[37]**, and a corresponding receivable due from Audi AG has been recognized under other financial assets. Estimated expenses for constructive warranties were taken into consideration for further customer and dealer measures relating to these vehicles. The provisions for bonuses are intended to cover the cost of subsequent reductions in revenue already realized.

Provisions for personnel expenses are recognized principally for employee and management bonuses, long-service awards, time credits, top-up amounts for phased retirement schemes, severance payments and similar obligations.

Miscellaneous provisions include provisions for customs law risks totaling €89 million (prior year (adjusted): €125 million). In addition, a provision for insurance claims has been recognized in the total amount of €141 million (prior year: €122 million). Of that amount, €17 million (prior year: €14 million) is attributable to claims lodged but not yet indemnified, €14 million (prior year: €10 million) is attributable to claims not yet lodged and €110 million (prior year: €98 million) to insurance premiums that have not yet been collected.

In addition, miscellaneous provisions contain a wide range of identifiable risks, price risks and uncertain obligations, such as those stemming from product liability and litigation, measured according to the probability of their occurrence. Depending on the jurisdiction concerned, this item also includes loss allowances for any instances of non-compliance with statutory emissions limits. These were measured by, among other things, taking into account the respective sales volume and the legally defined fee or the cost of acquiring emission rights from other manufacturers. Synergies with other brands of the Volkswagen Group were utilized where possible by creating emission pools.

65 per cent of the other provisions is expected to result in cash outflows within one year, 29 per cent in between one and five years and 6 per cent thereafter.

[27] NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Financial liabilities break down as follows:

€ million	Total	Current	Non-current
Dec. 31, 2020			
ABS bonds	4,650	1,978	2,672
Debenture bonds	2,023	304	1,719
Liabilities to banks	687	283	404
Lease liabilities	964	91	873
Other financial liabilities	1	1	–
	8,325	**2,657**	**5,668**
Dec. 31, 2019			
ABS bonds	4,253	1,966	2,287
Debenture bonds	1,791	–	1,791
Liabilities to banks	657	190	467
Lease liabilities	910	80	830
Other financial liabilities	3	3	–
	7,614	**2,239**	**5,375**

The debenture bonds were placed in different tranches with fixed and variable interest and have been partially repaid. The principal amounts of the debenture bonds totaled €2,025 million (prior year: € 1,793 million). They are measured at amortized cost.

Liabilities to banks are used for refinancing in the financial services business and, to a small extent, for current financing. The nominal interest rate varies from 0.23 per cent to 0.75 per cent depending on the currency, maturity and contractual terms and conditions (prior year: 0.24 per cent and 0.75 per cent). They are measured at amortized cost.

[28] TRADE PAYABLES

€ million	Dec. 31, 2020	Dec. 31, 2019
Trade payables	**2,335**	2,582
	2,335	**2,582**

The fair values of the trade payables essentially correspond to the carrying amounts due to the remaining terms.

Of the total amount of trade payables €0 million (prior year: €0 million) is due in more than one year.

[29] NON-CURRENT AND CURRENT OTHER FINANCIAL LIABILITIES

As of the end of the reporting period, other financial liabilities break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019
Negative fair values of derivative financial instruments	174	112	**286**	429	433	**862**
Interest payable	15	–	**15**	15	–	**15**
Liabilities from profit/loss transfer agreement and from tax relief with Porsche Holding Stuttgart GmbH[1]	2,465	–	**2,465**	2,131	–	**2,131**
Miscellaneous financial liabilities	305	173	**478**	507	224	**731**
	2,959	**285**	**3,244**	**3,082**	**657**	**3,739**

[1] The prior-year figures were adjusted.

Miscellaneous financial liabilities include liabilities from minority shareholders' call rights of €160 million (prior year: €210 million).

The item derivative financial instruments marked to market mainly comprises forward exchange transactions, currency options and interest rate swaps.

The negative fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2020	Dec. 31, 2019
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	**216**	845
Hedging transactions (interest and currency)	**216**	**845**
Liabilities related to derivatives not included in hedging relationships	**70**	17
	286	**862**

Further details on derivative financial instruments as a whole are given in note **[34]**.

[30] NON-CURRENT AND CURRENT OTHER LIABILITIES

As of the end of the reporting period, other liabilities break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019
Payments received on account of orders	660	290	**950**	456	302	**758**
Liabilities relating to						
other taxes	273	5	**278**	247	8	**254**
social security	5	–	**5**	7	–	**7**
wages and salaries	232	58	**290**	211	61	**272**
Miscellaneous liabilities	161	120	**281**	157	121	**278**
	1,331	**473**	**1,804**	**1,077**	**492**	**1,569**

The miscellaneous liabilities include deferred income. This comprises special rent payments of €244 million (prior year: €246 million) and other deferred income of €30 million (prior year: €26 million).

The payments received on account of orders item includes liabilities from advance payments received under contracts with customers. These developed as follows:

€ million	2020	2019
Liabilities from advance payments received under contract with customers at Jan. 1	**758**	682
Additions and disposals	**224**	67
Changes in consolidated group	**–**	–
Changes in estimates and assumptions as well as contract modifications	**–**	–
Foreign exchange differences	**– 32**	9
Liabilities from advance payments received under contract with customers at Dec. 31	**950**	**758**

Liabilities from advance payments received under contracts with customers correspond to the contractual liabilities from contracts with customers.

This also includes liabilities from long-term construction contracts:

€ million	Dec. 31, 2020	Dec. 31, 2019
Cost of conversion including outcome of the long-term construction contracts	**142**	179
thereof services billed to customers	**– 137**	– 160
Future receivables from long-term construction contracts	**5**	19
Advance payments received	**– 10**	– 32
	5	**13**

[31] TAX LIABILITIES

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019
Deferred tax liabilities	–	685	**685**	–	681	**681**
Income tax provisions	111	–	**111**	129	–	**129**
Tax payables	43	–	**43**	72	–	**72**
	154	**685**	**839**	**201**	**681**	**882**

Of the deferred tax liabilities, an amount of € 1 million (prior year: € 1 million) relates to recognition and measurement differences between IFRSs and the tax base that will reverse within a year.

Notes to the consolidated statement of cash flows

[32] NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows presents cash inflows and outflows from operating, investing and financing activities, regardless of how they are classified in the statement of financial position.

The cash flow from operating activities is derived indirectly, starting from profit/loss before tax. The profit/loss before tax is adjusted to eliminate non-cash expenses and income (primarily depreciation, amortization and write-downs, the gain/loss from the disposal of assets and other non-cash items). Other non-cash income and expenses primarily arose from the measurement of derivatives used to hedge foreign exchange exposure. Factoring in changes in working capital, which include changes in leased assets, changes in receivables from financial services and changes in pension provisions and other provisions, cash flows from operating activities are calculated. The item income taxes paid primarily includes payments to Porsche Holding Stuttgart GmbH, Stuttgart on account of the consolidated tax group in Germany and payments to foreign tax authorities.

Investing activities include additions to property, plant and equipment, and changes in equity investments, as well as additions of capitalized development costs, investments in securities, loans and time deposits.

Financing activities include outflows due to payments for profit transfers and dividend distributions and the repayment of bonds, as well as inflows from capital increases, the issuance of bonds and changes in other financial liabilities.

The changes in the items of the statement of financial position from which the statement of cash flows is derived are adjusted for non-cash effects. Changes in the items in the statement of financial position concerned can therefore not be reconciled directly with the figures in the published consolidated statement of financial position.

Cash flows from operating activities presented in the cash flow statement include:

€ million	**2020**	**2019**
Interest paid	**167**	175
Interest received	**161**	115
Dividends received[1)]	**5**	6

[1)] Dividends received are recognized in the share of profits and losses of equity-accounted investments.

The interest paid and received also contains the interest income and interest expenses from financial services reported in cost of sales or sales revenue.

€ million	**Dec. 31, 2020**	**Dec. 31, 2019**
Cash and cash equivalents as reported in the statement of financial position	**4,500**	3,511
Time deposits	**156**	337
Cash and cash equivalents as reported in the statement of cash flows	**4,344**	3,174

Time deposits are not classified as cash equivalents. Time deposits have a contractual maturity of more than three months. The maximum default risk corresponds to the carrying amount of the cash and cash equivalents. The table below shows the analysis of the changes in financial liabilities into cash and non-cash items:

€ million	Balance at Jan. 1, 2020	Cash-effective changes	Non-cash changes: Foreign exchange differences	Non-cash changes: Changes in consolidated group	Non-cash changes: Changes in fair values	**Balance at Dec. 31, 2020**
ABS bonds	– 4,253	– 671	274	–	–	**– 4,650**
Other total third-party borrowings	– 2,451	– 279	19	–	–	**– 2,711**
Lease liabilities	– 910	96	24	– 2	– 172	**– 964**
Total third-party borrowings	**– 7,614**	**– 854**	**317**	**– 2**	**– 172**	**– 8,325**
Put options and compensation rights granted to non-controlling interest shareholders	–	–	–	–	–	**–**
Other financial assets and liabilities	– 1	– 3	–	–	–	**– 5**
Financial assets and liabilities in financing activities	**– 7,615**	**– 857**	**317**	**– 2**	**– 172**	**– 8,330**

€ million	Balance at Jan. 1, 2019	Cash-effective changes	Non-cash changes: Foreign exchange differences	Non-cash changes: Changes in consolidated group	Non-cash changes: Changes in fair values	**Balance at Dec. 31, 2019**
ABS bonds	– 4,143	– 41	– 69	–	–	**– 4,253**
Other total third-party borrowings	– 1,716	– 718	– 14	–	– 3	**– 2,451**
Lease liabilities	– 821	77	– 8	–	– 158	**– 910**
Total third-party borrowings	**– 6,680**	**– 682**	**– 91**	**–**	**– 161**	**– 7,614**
Put options and compensation rights granted to non-controlling interest shareholders	–	–	–	–	–	**–**
Other financial assets and liabilities	3	– 5	1	–	–	**– 1**
Financial assets and liabilities in financing activities	**– 6,677**	**– 687**	**– 90**	**–**	**– 161**	**– 7,615**

Other Disclosures

[33] IFRS 16 – LEASES

1 LESSEE ACCOUNTING

The Porsche AG group primarily acts as lessee with respect to leases of office premises, real estate and other production resources. The leases are negotiated individually and include a wide range of contractual terms. Right-of-use assets under leases are included in the following items in the statement of financial position:

Presentation of and changes in right-of-use assets from January 1 to December 31, 2020:

€ million	Right of use on land, land rights and buildings incl. buildings on third party land	Right of use on technical equipment and machinery	Right of use on other equipment, operational and office equipment	Total
Cost Balance				
Balance at Jan. 1, 2019	791	9	31	831
Foreign exchange differences	9	–	–	9
Changes in consolidated group	–	–	–	–
Additions	155	–	13	168
Disposals	12	–	–	12
Balance at Dec. 31, 2019	**943**	**9**	**44**	**996**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2019	–	–	–	–
Foreign exchange differences	–	–	–	–
Changes in consolidated group	–	–	–	–
Additions to cumulative depreciation	86	1	9	96
Additions to cumulative impairment losses	–	–	–	–
Disposals	2	–	–	2
Reversal of impairment losses	–	–	–	–
Balance at Dec. 31, 2019	**84**	**1**	**9**	**94**
Carrying amount at Dec. 31, 2019	**859**	**8**	**35**	**902**
Cost Balance				
Balance at Jan. 1, 2020	943	9	44	996
Foreign exchange differences	– 26	–	–	– 26
Changes in consolidated group	2	–	–	2
Additions	183	–	18	201
Disposals	45	–	3	48
Balance at Dec. 31, 2020	**1,057**	**9**	**59**	**1,125**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2020	84	1	9	94
Foreign exchange differences	– 3	–	–	– 3
Changes in consolidated group	–	–	–	–
Additions to cumulative depreciation	101	1	13	115
Additions to cumulative impairment losses	–	–	–	–
Disposals	18	–	3	21
Reversal of impairment losses	–	–	–	–
Balance at Dec. 31, 2020	164	2	19	185
Carrying amount at Dec. 31, 2020	**893**	**7**	**40**	**940**

Income of €4 million (prior year: €6 million) was generated in the fiscal year from subleasing assets.

The measurement of right-of-use assets and the associated lease liability is subject to best estimates with regard to the exercise of options to extend or terminate the lease. This estimate is updated if there are material changes in circumstances or in the agreement.

The tables below show how the lease liabilities are presented in the statement of financial position and give an overview of their contractual maturities:

€ million	**Dec. 31, 2020**	**Dec. 31, 2019**
Non-current financial liabilities	**873**	830
Current financial liabilities	**91**	80
Total lease liabilities	**964**	**910**

Maturity analysis of lease liabilities:

	Remaining contractual maturities			
€ million	under one year	within one to five years	over five years	Total
Lease liabilities at Dec. 31, 2020	**91**	**299**	**574**	**964**
Lease liabilities at Dec. 31, 2019	80	249	581	**910**

Interest expenses of €32 million (prior year: €33 million) were incurred for lease liabilities in the fiscal year.

Right-of-use assets were not recognized for short-term leases and leases of low-value assets. Expenses totaling €29 million (prior year: €24 million) were incurred for leases of low-value assets in the fiscal year. That figure does not include expenses for short-term leases, which totaled €94 million in the fiscal year (prior year: €124 million). €0 million (prior year: €0 million) was attributable to variable lease payments in the fiscal year.

In the fiscal year, total cash outflows of €256 million (prior year: €248 million) were attributable to leases entered into as lessee.

The table below gives an overview of potential future cash outflows not taken into consideration in the measurement of lease liabilities:

€ million	2020	2019
Future cash outflows to which the lessee is potentially exposed		
Variable lease payments	**–**	–
Residual value guarantees	**–**	–
Extension options	**269**	236
Termination options	**6**	2
Obligations under leases not yet commenced	**16**	17
Other limitations or obligations under leases	**–**	–
	291	**255**

2 LESSOR ACCOUNTING

The Porsche AG group acts as lessor under both finance and operating leases. These relate primarily to vehicles and, to a lesser extent, land and buildings and items of equipment for dealerships.

The Porsche AG group fully accounts for the credit risk arising in respect of lease receivables by recognizing loss allowances in accordance with IFRS 9. As lessor, the Porsche AG group counters risks from assets underlying the lease by, among other things, taking into account residual value guarantees received for parts of the lease portfolio as well as forward-looking residual value forecasts on the basis of internal and external information in the context of residual value management. The residual value forecasts are reviewed regularly.

2.1 Operating leases

Presentation of and changes in non-current leased assets from January 1 to December 31, 2020:

€ million	Leased land, rights and buildings, including buildings on third-party land under operating lease	Technical equipment and machines rented as part of operating lease	Other equipment, operating and business furnishing under operating lease	Total
Costs of acquisitions				
Balance at Jan. 1, 2019	–	–	5,287	5,287
Foreign exchange differences	–	–	122	122
Additions	–	–	2,117	2,117
Disposals	–	–	2,049	2,049
Balance at Dec. 31, 2019	**–**	**–**	**5,477**	**5,477**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2019	–	–	1,512	1,512
Foreign exchange differences	–	–	36	36
Additions to cumulative depreciation	–	–	752	752
Additions to cumulative impairment losses	–	–	117	117
Disposals	–	–	739	739
Reversal of impairment losses	–	–	30	30
Balance at Dec. 31, 2019	**–**	**–**	**1,648**	**1,648**
Carrying amount at Dec. 31, 2019	**–**	**–**	**3,829**	**3,829**
Costs of acquisitions				
Balance at Jan. 1, 2020	–	–	5,477	5,477
Foreign exchange differences	–	–	– 430	– 430
Additions	–	–	2,323	2,323
Transfers	–	–	– 11	– 11
Disposals	–	–	2,193	2,193
Balance at Dec. 31, 2020	**–**	**–**	**5,166**	**5,166**
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2020	–	–	1,648	1,648
Foreign exchange differences	–	–	– 135	– 135
Additions to cumulative depreciation	–	–	743	743
Additions to cumulative impairment losses	–	–	127	127
Disposals	–	–	814	814
Reversal of impairment losses	–	–	17	17
Balance at Dec. 31, 2020	**–**	**–**	**1,552**	**1,552**
Carrying amount at Dec. 31, 2020	**–**	**–**	**3,614**	**3,614**

The following cash inflows are expected in the coming years from non-discounted expected lease payments outstanding under operating leases:

€ million	2021	2022	2023	2024	2025	From 2026	Total
Dec. 31, 2020							
Lease payments	**171**	**455**	**686**	**201**	**15**	**53**	**1,581**

€ million	2020	2021	2022	2023	2024	From 2025	Total
Dec. 31, 2019							
Lease payments	199	499	698	128	24	88	**1,636**

Breakdown of income from operating leases:

€ million	2020	2019
Lease income	**1,054**	1,063
Income from variable lease payments	**6**	13
Total	**1,060**	**1,076**

2.2 Finance leases

Interest income on the net investment in the lease amounted to €66 million in the fiscal year (prior year: €62 million).

Reconciliation of lease payments from finance leases:

€ million	Dec. 31, 2020	Dec. 31, 2019
Non-guaranteed residual value	**162**	218
Non-discounted lease payments	**1,654**	1,517
Unearned interest income	**– 103**	– 99
Loss allowance on lease receivables	**– 108**	– 108
Other	**–**	–
Net investment	**1,605**	**1,528**

The following payments are expected in the next few years from non-discounted expected lease payments outstanding under finance leases:

€ million	2021	2022	2023	2024	2025	From 2026	Total
Dec. 31, 2020							
Lease payments	**661**	**476**	**377**	**122**	**18**	**0**	**1,654**

€ million	2020	2021	2022	2023	2024	From 2025	Total
Dec. 31, 2019							
Lease payments	663	440	340	68	6	–	**1,517**

[34] FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

1 HEDGING GUIDELINES AND FINANCIAL RISK MANAGEMENT PRINCIPLES

Due to the international activities in the automotive and financial services divisions, changes in exchange rates and interest rates affect the net assets, financial position and results of operations of the Porsche AG group. These risks result in particular from foreign currency transactions in the course of ordinary operations, from financing and from financial investing activities. The risks are regularly monitored, reported and centrally managed using financial instruments. The primary aim of using financial instruments is to limit the financial risk exposures in order to ensure the Porsche AG group's ability to continue as a going concern and its earnings power.

The principles and responsibilities for managing and controlling the risks that could arise from these financial instruments are defined by the Executive Board and monitored by the Supervisory Board. Internal guidelines exist within the Porsche AG group that clearly define the risk management and control processes. These guidelines regulate, among other things, the use of financial instruments or derivatives and the requisite control procedures, such as a clear segregation of functions between trading and settlement. The treasury department identifies, analyzes and monitors risks group-wide. The underlying guidelines and the supporting systems are checked regularly and brought into line with current market and product developments.

Derivative financial instruments are mainly used to control currency and interest rate risks. Currency risks from future sales revenue denominated in foreign currencies are hedged through the use of exchange rate hedging instruments for a period of up to five years. The main hedging instruments used are forward exchange transactions and currency options. The volume of exchange rate hedges is determined on the basis of the planned sales figures in the respective foreign currency, taking into account procurement volumes. The counterparties for the exchange/interest rate hedges are Volkswagen AG and major national and international financial institutions. Cooperation is subject to uniform regulations and continuous monitoring. The interest rate risk from variable-rate financing and the interest rate risk from refinancing the financial services business are largely hedged through the use of suitable derivatives such as interest rate swaps.

Financial instruments are primarily used to reduce financial risks. However, the financial instruments used give rise to potential risks, such as counterparty risks and accounting risks. Channeling excess liquidity into investments also exposes the group to counterparty risks. Partial or complete default by a counterparty would have a negative impact on the net assets, financial position and results of operations. In order to manage these risks, the Porsche AG group has set out guidelines to ensure that transactions are concluded only in approved financial instruments, only with approved counterparties and only on the admissible scale. Accounting risks relating to the financial instruments entered into for hedging purposes also have to be analyzed. The risk of effects on the presentation of results of operations in the income statement is limited by means of hedge accounting.

Default risks in receivables are reduced by means of a strict receivables management system.

2 CREDIT AND DEFAULT RISK

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims from recognized carrying amounts against the respective counterparty. The maximum credit and default risk is reduced by collateral held. Collateral is primarily held for financial assets allocated to the "at amortized cost" category, and comprises vehicles, assets assigned as collateral, guarantees, and cash collateral. For level 3 financial assets with objective indications of impairment as of the reporting date, the collateral held reduced the risk by €2 million (prior year: €2 million).

The counterparties to material cash and capital investments and to derivatives are national and international financial institutions, as well as Volkswagen AG. Risk is also reduced by means of a limit system that is primarily based on credit assessments of the counterparties. The maximum amounts for default risk are presented in section 2.3.

The global allocation of business activities and the resulting diversification meant that there were no material risk concentrations at individual counterparties or counterparty groups in the fiscal year, with the exception of other financial receivables due from Porsche Holding Stuttgart GmbH.

The other financial receivables due from Porsche Holding Stuttgart GmbH mainly relate to loan receivables. There is a direct link between Porsche Holding Stuttgart GmbH's credit rating and that of Volkswagen AG. As long as Volkswagen AG supplies its wholly owned subsidiary Porsche Holding Stuttgart GmbH with sufficient liquidity, the latter can meet its current obligations to the Porsche AG group arising from the liabilities totaling €9,951 million (prior year: €9,712 million).

2.1 Loss allowance

The Porsche AG group applies the expected credit loss model under IFRS 9 on a uniform basis for all financial assets and other risk exposures.

IFRS 9 differentiates between the general approach and the simplified approach. The expected credit loss model under IFRS 9 comprises both loss allowances for financial assets where there are no objective indications of impairment, as well as loss allowances for financial assets that are already impaired.

Under the general approach, financial assets are assigned to one of three stages plus an additional stage for financial assets that were already impaired when acquired (stage 4). Stage 1 comprises financial assets at initial recognition or for which there has not been any significant increase in probability of default. Expected credit losses for the next 12 months are calculated at this stage. Stage 2 comprises financial assets with a significant increase in probability of default, and stage 3 comprises financial assets for which there are objective indications that default will occur. Lifetime expected credit losses are calculated in stages 2 to 4.

The Porsche AG group applies the simplified approach to trade receivables with a significant financing component. The same applies to receivables from operating or finance leases accounted for in accordance with IFRS 16. Under the simplified approach, expected credit losses are calculated consistently over the entire life of the asset.

The tables below present a reconciliation of gross receivables and loss allowances for the different classes of financial assets.

Changes in the gross carrying amounts of financial assets measured at amortized cost for the period from January 1 to December 31, 2020:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2020	15,190	44	25	912	**16,171**
Foreign exchange differences	– 207	– 8	– 0	– 25	**– 240**
Changes in consolidated group	37	–	–	– 1	**36**
Changes	2,290	–	– 4	244	**2,530**
Modification	–	–	–	–	**–**
Transfers to					**–**
Stage 1	2	– 0	– 2	–	**–**
Stage 2	– 71	71	–	–	**–**
Stage 3	– 2	–	2	–	**–**
Carrying amount at Dec. 31, 2020	**17,239**	**107**	**21**	**1,130**	**18,497**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2019	13,868	41	68	783	14,760
Foreign exchange differences	50	1	1	6	58
Changes in consolidated group	–	–	–	0	0
Changes	1,232	– 3	1	123	1,353
Modification	–	–	–	–	–
Transfers to					–
Stage 1	62	– 15	– 47	–	–
Stage 2	– 20	20	–	–	–
Stage 3	– 2	–	2	–	–
Carrying amount at Dec. 31, 2019	**15,190**	**44**	**25**	**912**	**16,171**

Changes in the loss allowance for financial assets measured at amortized cost for the period from January 1 to December 31, 2020:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2020	22	4	17	32	**75**
Foreign exchange differences	– 1	0	– 1	– 0	**– 2**
Changes in consolidated group	0	–	–	– 0	**0**
Newly extended/purchased financial assets (additions)	22	–	–	10	**32**
Other changes within a stage	– 0	–	12	–	**12**
Transfers to					**–**
Stage 1	0	– 0	– 0	–	**–**
Stage 2	– 8	8	–	–	**–**
Stage 3	– 2	– 0	2	–	**–**
Financial instruments derecognized during the period (disposals)	– 4	–	– 8	– 6	**– 18**
Utilization	–	–	– 4	– 1	**– 5**
Carrying amount at Dec. 31, 2020	**29**	**12**	**18**	**35**	**94**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2019	18	3	19	22	62
Foreign exchange differences	0	0	0	0	0
Changes in consolidated group	–	–	–	0	0
Newly extended/purchased financial assets (additions)	5	–	–	16	21
Other changes within a stage	–	–	6	–	6
Transfers to					–
Stage 1	2	– 0	– 2	–	– 0
Stage 2	– 1	1	–	–	– 0
Stage 3	– 1	–	2	–	1
Financial instruments derecognized during the period (disposals)	– 1	–	– 4	– 6	– 11
Utilization	–	–	– 4	– 0	– 4
Carrying amount at Dec. 31, 2019	**22**	**4**	**17**	**32**	**75**

Changes in the gross carrying amounts of lease receivables for the period from January 1 to December 31, 2020:

€ million	Simplified approach
Carrying amount at Jan. 1, 2020	1,649
Foreign exchange differences	– 6
Changes in consolidated group	–
Changes	83
Carrying amount at Dec. 31, 2020	**1,726**

	Simplified approach
Carrying amount at Jan. 1, 2019	1,448
Foreign exchange differences	3
Changes in consolidated group	–
Changes	198
Carrying amount at Dec. 31, 2019	**1,649**

Changes in the loss allowance for lease receivables for the period from January 1 to December 31, 2020:

€ million	Simplified approach
Carrying amount at Jan. 1, 2020	109
Foreign exchange differences	– 0
Changes in consolidated group	–
Newly extended/purchased financial assets (additions)	32
Other changes within a stage	–
Financial instruments derecognized during the period (disposals)	– 15
Utilization	– 18
Carrying amount at Dec. 31, 2020	**108**

	Simplified approach
Carrying amount at Jan. 1, 2019	99
Foreign exchange differences	0
Changes in consolidated group	–
Newly extended/purchased financial assets (additions)	29
Other changes within a stage	–
Financial instruments derecognized during the period (disposals)	– 6
Utilization	– 13
Carrying amount at Dec. 31, 2019	**109**

2.2 Modifications

There were no contractual modifications of financial assets during the reporting period that would not have led to the financial assets being derecognized.

2.3 Maximum credit risk

The table below shows the maximum credit risk to which the Porsche AG group is exposed, broken down into the classes to which the impairment model is applied:

€ million	Dec. 31, 2020	Dec. 31, 2019
Financial instruments measured at fair value	–	–
Financial instruments measured at amortized cost	**18,403**	16,096
Financial guarantees and credit commitments	**72**	72
Not allocated to a measurement category	**1,618**	1,540
Total	**20,093**	**17,708**

The credit risk presented in the category "Financial guarantees and credit commitments" relate to a syndicated loan agreement with a total credit commitment of € 150 million. The total credit commitment is split into facilities A-C, with a term of 5 years (facilities A and B) or 10 years (facility C). Under this loan agreement, Porsche AG acts as guarantor for maximum utilization of up to € 72.5 million.

The category "not allocated to a measurement category" combines lease receivables pursuant to IFRS 16 of € 1,605 million as well as receivables under long-term construction contracts pursuant to IFRS 15 of € 13 million.

2.4 Rating categories

The Porsche AG group examines the credit standing of the borrower for every loan and lease agreement. It uses scoring systems in the retail business, and rating systems for major customers and receivables from dealer financing. Receivables rated as "good" are allocated to credit risk rating grade 1. Receivables from customers whose credit rating is not "good" but have not yet defaulted are allocated to credit risk rating grade 2. All defaulted receivables are allocated to credit risk rating grade 3.

The table below shows the gross carrying amounts of financial assets by rating category as of December 31, 2020.

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2020					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	17,240	–	–	2,833	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	107	–	12	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	21	10	–
Total	**17,240**	**107**	**21**	**2,855**	**–**

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2019					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	15,190	–	–	2,547	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	45	–	4	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	25	9	–
Total	**15,190**	**45**	**25**	**2,560**	**–**

3 LIQUIDITY RISK

The solvency and liquidity of the Porsche AG group are ensured at all times by rolling liquidity planning, a cash liquidity reserve, confirmed credit lines and loans.

There is a master loan agreement with the Volkswagen group for a line of €4,000 million (amount drawn: €0 million; prior year: €0 million).

In certain countries (e.g., China), the Porsche AG group can only use local cash funds for cross-border transactions pursuant to exchange controls. There are no other material restrictions.

The following overview shows the contractual undiscounted cash outflows from financial instruments:

€ million	Remaining contractual maturities Within one year	Within one to five years	In more than five years	Total
Dec. 31, 2020				
Financial liabilities	2,788	4,654	1,619	9,061
Trade payables	2,335	–	–	2,335
Other financial liabilities	2,750	172	–	2,922
Derivative financial instruments	11,145	7,889	9	19,043
	19,018	**12,715**	**1,628**	**33,361**

Dec. 31, 2019				
Financial liabilities	2,387	4,095	1,869	8,351
Trade payables	2,582	–	–	2,582
Other financial liabilities	2,653	224	–	2,877
Derivative financial instruments	14,457	15,316	11	29,784
	22,079	**19,635**	**1,880**	**43,594**

The cash outflows from other financial liabilities include liabilities for tax allocations amounting to €642 million (prior year: €335 million).

Derivatives comprise both cash outflows from derivatives with negative fair values and cash outflows from derivatives with positive fair values for which gross settlement has been agreed. The cash outflows also include derivatives entered into by means of offsetting transactions. The cash outflows from derivatives for which gross settlement has been agreed are partly offset by cash inflows that are not taken into consideration in this maturity analysis. If these cash inflows were taken into account, the cash outflows presented would be significantly lower. This is particularly true of hedges entered into by means of offsetting transactions.

The Porsche AG group mainly generates liquidity through its business operations, external financing and the securitization of receivables. The funds are chiefly used to finance net working capital and capital expenditures and to cover the finance requirements of the leasing and sales financing business. Operational liquidity management uses cash pools in which material cash and cash equivalents in the Porsche AG group are pooled on a daily basis. There is also a cash pool with Volkswagen AG to make efficient use of the excess liquidity of Porsche AG. This enables liquidity surpluses and shortfalls to be controlled in line with requirements. The maturities of financial assets and financial liabilities as well as forecasts of cash flows from operating activities are included in short and medium-term liquidity management.

4 MARKET RISK

4.1 Hedging policy and financial derivatives

During the course of its general business activities, the Porsche AG group is exposed to foreign currency, interest rate and residual value risks, as well as risks relating to shares, bonds and commodity prices. It is company policy to exclude or limit these risks where possible by entering into hedging transactions. All necessary hedging transactions are executed or coordinated centrally by the treasury department.

4.1.1 Disclosures on gains and losses from cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in future cash flows. These cash flows can result from a recognized asset or liability, as well as a highly probable forecast transaction. The table below shows the gains and losses from cash flow hedges by risk type:

€ million	2020	2019
Interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**– 1**	– 4
Recognized in profit or loss	**– 0**	0
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**–**	–
Due to realization of the hedged item	**– 1**	– 3
Currency risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**633**	– 751
Recognized in profit or loss	**– 1**	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**1**	–
Due to realization of the hedged item	**166**	231
Combined interest rate and currency risk hedging		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**– 1**	– 1
Recognized in profit or loss	**–**	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**–**	–
Due to realization of the hedged item	**–**	–

The effects on equity shown in the table are net of deferred taxes.

The gains or losses on changes in the fair value of hedging instruments included in hedge accounting correspond to the basis for determining hedge ineffectiveness. The ineffective portion of cash flow hedges is the income or expense from changes in the fair value of the hedging instrument that exceeds the changes in the fair value of the hedged item. This hedge ineffectiveness arises due to differences in parameters between the hedging instrument and the hedged item. The respective income or expenses are recognized in other operating income or expenses and in the financial result.

The Porsche AG group uses two different methods to present market risk from non-derivative and derivative financial instruments in accordance with IFRS 7. For quantitative risk measurement, the financial services division uses a value-at-risk (VaR) model to measure interest rate and currency risk. By contrast, the residual value risk in the financial services division and market risk in the automotive division are determined using a sensitivity analysis. The VaR calculation indicates the extent of the maximum potential loss on the overall portfolio within a time horizon of 10 days at a confidence level of 99 per cent. It is based on aggregating all of the cash flows from the non-derivative and derivative financial instruments in an interest rate gap analysis. The historical market data used to calculate VaR covers a period of 521 trading days. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risk.

4.1.2 Disclosures on hedging instruments used in hedge accounting

The Porsche AG group enters into hedging instruments to hedge its exposure to variability in future cash flows. The table below shows the notional amounts, fair values, and inputs used to determine the ineffectiveness of the hedging instruments included in cash flow hedges:

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2020				
Hedging interest rate risk				
Interest rate swaps	4,795	1	15	– 14
Hedging currency risk				
Currency forwards/Cross-currency swaps	17,049	468	139	1,049
Currency options	14,556	201	47	49
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	145	8	15	– 6

	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2019				
Hedging interest rate risk				
Interest rate swaps	4,393	1	12	– 11
Hedging currency risk				
Currency forwards/Cross-currency swaps	21,432	37	756	– 11
Currency options	13,984	69	67	1
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	134	6	9	– 2

The change in fair value presented in the table to calculate ineffectiveness corresponds to the change in fair value of the designated component.

4.1.3 Disclosures on hedged items used in hedge accounting

In addition to disclosures on the hedging instruments, disclosures must also be made on the hedged items, broken down by risk category and type of designation in hedge accounting. The table below lists the hedged items included in cash flow hedges:

€ million	Fair value changes to determine hedge ineffectiveness	Reserve for Active cash flow hedges	Discontinued cash flow hedges
Dec. 31, 2020			
Hedging interest rate risk			
Designated components	– 15	13	–
Undesignated components	–	–	–
Deferred taxes	–	– 4	–
Total hedging interest rate risk	**– 15**	**9**	**–**
Hedging currency risk			
Designated components	1,104	– 1,095	–
Undesignated components	–	664	–
Deferred taxes	–	129	–
Total hedging currency risk	**1,104**	**– 302**	**–**
Combined interest rate and currency risk hedging			
Designated components	– 7	1	–
Undesignated components	–	–	–
Deferred taxes	–	– 0	–
Total hedging combined interest rate and currency risk	**– 7**	**1**	**–**

	Fair value changes to determine hedge ineffectiveness	Reserve for Active cash flow hedges	Discontinued cash flow hedges
Dec. 31, 2019			
Hedging interest rate risk			
Designated components	– 12	10	–
Undesignated components	–	–	–
Deferred taxes	–	– 3	–
Total hedging interest rate risk	**– 12**	**7**	**–**
Hedging currency risk			
Designated components	– 11	17	–
Undesignated components	–	693	–
Deferred taxes	–	– 212	–
Total hedging currency risk	**– 11**	**498**	**–**
Combined interest rate and currency risk hedging			
Designated components	– 2	0	–
Undesignated components	–	–	–
Deferred taxes	–	– 0	–
Total hedging combined interest rate and currency risk	**– 2**	**0**	**–**

4.1.4 Changes in the reserve

The accounting treatment of cash flow hedges requires that the designated effective portions of hedges be recognized in equity (OCI I). Any excess changes in the fair value of the designated component are recognized through profit or loss as hedge ineffectiveness. The table below shows the changes in the reserve:

€ million	Interest rate risk	Currency risk	Interest rate/currency risk	Total
Balance at Jan. 1, 2020	– 7	– 12	– 0	**– 19**
Gains or losses from effective hedging relationships	– 1	976	– 1	**974**
Reclassifications due to changes in whether the hedged item is expected to occur	–	– 7	–	**– 7**
Reclassifications due to realization of the hedged item	– 1	– 190	–	**– 191**
Reclassification of expected uncollectable losses recognized in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2020	**– 9**	**767**	**– 1**	**757**

	Interest rate risk	Currency risk	Interest rate/currency risk	Total
Balance at Jan. 1, 2019	0	313	– 0	313
Gains or losses from effective hedging relationships	– 4	– 274	0	– 278
Reclassifications due to changes in whether the hedged item is expected to occur	–	–	–	–
Reclassifications due to realization of the hedged item	– 3	– 51	–	– 54
Reclassification of expected uncollectable losses recognized in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2019	**– 7**	**– 12**	**– 0**	**– 19**

In general, changes in the fair value of the non-designated components of a derivative must likewise immediately be recognized in profit or loss. An exception to this principle are fair value changes in the non-designated time values of options, to the extent they relate to the hedged item. In addition, the Porsche AG group initially recognizes in equity (OCI II) changes in the fair value of the non-designated forward components of currency forwards and non-designated cross-currency basis spreads (CCBS) on currency hedges used in cash flow hedging. This means that the Porsche AG group only recognizes changes in the fair value of the non-designated components or parts thereof immediately through profit or loss in the case of hedge ineffectiveness. The tables below give an overview of the changes in the reserve for hedging costs resulting from the non-designated portions of options and currency hedges.

Changes in the reserve for non-designated time value of options for the period from January 1 to December 31, 2020:

€ million	Currency risk
Balance at Jan. 1, 2020	– 36
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	31
Hedged item is recognized in a time-period	–
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	41
Hedged item is recognized in a time-period	–
Balance at Dec. 31, 2020	**36**

	Currency risk
Balance at Jan. 1, 2019	– 9
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	– 46
Hedged item is recognized in a time-period	–
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	19
Hedged item is recognized in a time-period	–
Balance at Dec. 31, 2019	**– 36**

Changes in the reserve for non-designated forward components and cross-currency basis spreads (CCBS) for the period from January 1 to December 31, 2020:

€ million	Currency risk
Balance at Jan. 1, 2020	– 451
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	– 373
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	315
Reclassification due to changes in whether the hedged item is expected to occur	
Hedged item is recognized at a point in time	8
Balance at Dec. 31, 2020	**– 501**

	Currency risk
Balance at Jan. 1, 2019	– 282
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	– 432
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	263
Balance at Dec. 31, 2019	**– 451**

4.2 Market risk in the financial services division

4.2.1 Interest rate risk

Interest rate risk in the financial services division mainly results from changes in market interest rates, primarily for medium- and long-term floating-rate liabilities and from non-maturity-matched refinancing. This risk is reduced by entering into interest rate hedges and cross-currency interest rate swaps.

As of December 31, 2020, the VaR for interest rate risk amounted to €3 million (prior year: €8 million).

4.2.2 Currency risk

Currency risk in the financial services division mainly results from assets denominated in a currency other than the functional currency, and from refinancing as part of operating activities.

As of December 31, 2020, the VaR for currency risk amounted to €4 million (prior year: €3 million).

4.2.3 Residual value risks

The residual value risk inherent in the leasing business results from a negative deviation between the residual value calculated when the agreement is concluded and the market value of the leased vehicle when it is sold following expiry of the agreed lease period.

In some markets, such as North America and to some extent in Germany, this residual value risk is borne by Porsche financial services companies. The market price of used vehicles constitutes the key risk variable in this context. Operational risk management is provided via ongoing monitoring of the development of used vehicle prices by means of data available outside the company. Residual value forecasts are used to check the appropriateness of the loss allowance and the residual value risk potential. The effects on profit after tax arising from a change in used vehicle prices are quantified using a sensitivity analysis.

If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10 per cent higher as of December 31, 2020, profit after tax would have been €18 million (prior year: €22 million) higher. If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10 per cent lower as of December 31, 2020, profit after tax would have been €18 million (prior year: €20 million) lower.

4.3 Market risk in the automotive division

4.3.1 Interest rate risk

Interest rate risk in the automotive division results from changes in market interest rates, primarily for medium- and long-term interest-bearing receivables and liabilities. Floating-rate items are included in cash flow hedges and – depending on the market situation – some are hedged by means of interest rate swaps.

In the automotive division, interest rate risk within the meaning of IFRS 7 is calculated using sensitivity analyses. The effect of risk-variable market interest rates on the financial result and equity are presented net of tax.

If market interest rates had been 100 bps higher as of December 31, 2020, equity would have been €0 million (prior year: €0 million) lower. If market interest rates had been 100 bps lower as of December 31, 2020, equity would have been €0 million (prior year: €0 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2020, profit after tax would have been €4 million lower (prior year: €5 million). If market interest rates had been 100 bps lower as of December 31, 2020, profit after tax would have been €5 million higher (prior year: €5 million).

4.3.2 Currency risk

Currency risk in the automotive division mainly results from operating activities, as well as investments and financing operations. Currency forwards and currency options are used to reduce currency risk. They are used to hedge the exchange rates for all material payments made in the course of general business operations that are not denominated in the functional currency of the respective company.

In 2020, hedges were entered into in the following currencies as part of currency risk management: Australian dollar (AUD), Brazilian real (BRL), Canadian dollar (CAD), Chinese renminbi (CNY), Hong Kong dollar (HKD), Japanese yen (JPY), Mexican peso (MXN), Polish zloty (PLN), British pound sterling (GBP), Russian ruble (RUB), Singapore dollar (SGD), South Korean won (KRW), Swedish krona (SEK), Swiss franc (CHF), Taiwan dollar (TWD), and US dollar (USD).

All non-functional currencies in which the Porsche AG group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currencies concerned had appreciated or depreciated by 10 per cent against the euro, this would have resulted in the following effects on the hedging reserve in equity and profit after tax for the following currency pairs. It is not expedient to add up the individual values, since the results are based on different scenarios depending on the functional currency.

The table below shows the sensitivities as of December 31, 2020 with respect to the key currencies held.

€ million	Dec. 31, 2020 +10 %	Dec. 31, 2020 – 10 %	Dec. 31, 2019 +10 %	Dec. 31, 2019 – 10 %
Exchange rate				
EUR / USD				
Hedging reserve	641	– 562	679	– 690
Profit/loss after tax	– 25	25	– 16	16
EUR / TWD				
Hedging reserve	42	– 42	47	– 47
Profit/loss after tax	– 3	3	– 1	1
EUR / MXN				
Hedging reserve	5	– 5	6	– 6
Profit/loss after tax	–	–	–	–
EUR / PLN				
Hedging reserve	25	– 25	16	– 16
Profit/loss after tax	–	–	–	–
EUR / GBP				
Hedging reserve	126	– 121	162	– 162
Profit/loss after tax	– 4	4	– 5	5
EUR / CNY				
Hedging reserve	364	– 321	453	– 475
Profit/loss after tax	– 84	84	– 83	83
EUR / CHF				
Hedging reserve	76	– 76	75	– 67
Profit/loss after tax	– 1	1	– 1	1
EUR / SEK				
Hedging reserve	32	– 33	11	– 10
Profit/loss after tax	–	–	– 1	1
EUR / HKD				
Hedging reserve	14	– 13	14	– 14
Profit/loss after tax	–	–	– 1	1
EUR / RUB				
Hedging reserve	16	– 16	32	– 32
Profit/loss after tax	– 2	2	– 1	1
EUR / SGD				
Hedging reserve	2	– 2	3	– 3
Profit/loss after tax	–	–	–	–
EUR / KRW				
Hedging reserve	44	– 43	19	– 18
Profit/loss after tax	– 11	11	– 7	7
EUR / CAD				
Hedging reserve	54	– 48	69	– 70
Profit/loss after tax	– 2	2	– 2	2
EUR / JPY				
Hedging reserve	80	– 74	86	– 88
Profit/loss after tax	– 12	12	– 9	9
EUR / AUD				
Hedging reserve	44	– 44	23	– 23
Profit/loss after tax	– 4	4	– 4	4
EUR / BRL				
Hedging reserve	2	– 2	2	– 2
Profit/loss after tax	– 1	1	– 2	2

4.3.3 Equity and bond price risks

The special fund launched using surplus liquidity, UI-356, is exposed in particular to equity and bond price risk that may arise from fluctuations in quoted market prices, stock exchange indices and market interest rates. The risks to which the special fund is exposed are generally countered by the Porsche AG group by ensuring a broad diversification across a range of products, issuers and regional markets when making investment decisions, as stipulated in the investment policy. The risk management system in place is based on a minimum value threshold and, if the market situation is appropriate, exchange rate hedges are entered into.

IFRS 7 stipulates that the presentation of market risk must include disclosures on how hypothetical changes in risk variables impact the price of financial instruments. The risk variables include in particular quoted market prices or indices, as well as interest rate changes as a bond pricing parameter.

If share prices had been 10 per cent higher as of December 31, 2020, profit after tax would have been €19 million (prior year: €6 million) higher. If share prices had been 10 per cent lower as of December 31, 2019, profit after tax would have been €27 million (prior year: €10 million) lower.

4.3.4 Commodity price risk

Commodity price risks for the Porsche AG group mainly result from price fluctuations as well as the availability of aluminum, lead, copper, palladium, rhodium, nickel, lithium carbonate and cobalt. Commodity price risks within the meaning of IFRS 7 are presented using a sensitivity analysis. This shows the effect of changes in the risk variable raw materials prices on profit after tax.

If the commodity prices for the above-mentioned raw materials had been 10 per cent higher (lower) as of December 31, 2020, profit after tax would have been €38 million (prior year: €31 million) lower (higher).

5 METHODS FOR MONITORING HEDGE EFFECTIVENESS

Since transitioning to IFRS 9, the Porsche AG group mainly assesses the effectiveness of hedges on a prospective basis using the critical terms match method. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method. Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

For this purpose, cumulative changes in the value of the designated spot component of the hedging instrument and the hedged item are compared. If there is no critical terms match, the same procedure is applied to the non-designated component.

The table below shows the remaining maturities profile of the notional amounts of hedging instruments recognized under the Porsche AG group hedge accounting requirements, as well as derivatives not included in hedge accounting:

€ million	Term to maturity Up to one year	within one to five years	over five years	Total notional amount Dec. 31, 2020	Total notional amount Dec. 31, 2019
Notional amount of hedging instruments					
Hedging Interest rate risk					
Interest rate swaps	4,225	570	–	**4,795**	4,393
Hedging Currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in CNY	3,114	623	–	**3,737**	6,142
Currency forwards/Cross-currency swaps in USD	2,647	4,073	–	**6,720**	8,283
Currency forwards/Cross-currency swaps in GBP	845	856	–	**1,701**	2,341
Currency forwards/Cross-currency swaps in other currencies	1,957	2,934	–	**4,891**	4,666
Currency options					
Currency options in CNY	3,986	–	–	**3,986**	2,047
Currency options in USD	1,874	4,643	–	**6,517**	8,016
Currency options in other currencies	1,901	2,152	–	**4,053**	3,921
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	145	0	0	**145**	134
Notional amount of other derivatives					
Hedging interest rate risk					
Interest rate swaps	0	662	0	**662**	563
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in other currencies	138	0	0	**138**	67
Currency options					
Currency options in other currencies	0	0	0	**0**	0
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	–	–	–	**–**	–

In addition to the other derivatives used to hedge currency and interest rate risk, as presented above, on the December 31, 2020 reporting date the group held credit swaps with a notional amount of €0 million (prior year: €451 million) and remaining maturity of 1-5 years. It also held equity futures (€88 million; prior year: €47 million), fixed income futures (€94 million; prior year: €88 million), options on swaps (€0 million; prior year: €602 million) and equity swaps (€32 million; prior year: €16 million) with a remaining maturity of under one year, as well as equity swaps (€145 million; prior year: €0 million) with a remaining maturity of 4-5 years.

With respect to the interest rate swaps and cross-currency interest rate swaps presented above, the Porsche AG group achieved a hedging interest rate of 0.35 per cent (prior year: 1.08 per cent) and 1.06 per cent (prior year: 1.69 per cent), respectively, weighted by total notional amount.

With respect to the currency forwards and currency options, the Porsche AG group achieved a hedging exchange rate for the material currencies of 8.08 (EUR/CNY; prior year: 8.19), 0.88 (EUR/GDP; prior year: 0.85) and 1.20 (EUR/USD; prior year: 1.15), weighted by total notional amount.

The total notional amount includes both derivatives entered into by means of offsetting transactions, as well as the offsetting transactions themselves. The offsetting transactions partly offset effects resulting from the original hedge, meaning that the respective notional amount would be significantly higher were the offsetting transaction not taken into account.

Another effect that increases the notional amount results from cylinder options, where both the put and call options are taken into consideration in the notional amount.

The hedged items in cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges presented in the table.

The group determines market values of the derivatives using market data on the reporting date and suitable valuation techniques. The calculation was based on the following interest rate structure:

%	EUR	USD	GBP	CHF	JPY
Dec. 31, 2020					
Interest rate for 6 months	– 0.47	0.18	0.01	– 0.73	– 0.15
Interest rate for 1 year	– 0.52	0.18	– 0.01	– 0.73	– 0.10
Interest rate for 5 years	– 0.46	0.43	0.19	– 0.56	– 0.04
Interest rate for 10 years	– 0.27	0.92	0.40	– 0.29	0.05
Dec. 31, 2019					
Interest rate for 6 months	– 0.38	1.83	0.77	– 0.56	– 0.18
Interest rate for 1 year	– 0.37	1.76	0.74	– 0.51	– 0.09
Interest rate for 5 years	– 0.12	1.69	0.88	– 0.44	0.03
Interest rate for 10 years	0.21	1.84	1.02	– 0.11	0.13

Given its use of interest rate swaps and cross-currency interest rate swaps for hedging purposes, the IBOR reform exposes Porsche AG to uncertainties with respect to timing, the amount of IBOR-based cash flows and the risk to which the hedged item and hedging instrument are exposed. Porsche AG applies the practical expedients provided for in the amendments to the accounting standards for all hedges affected by the above uncertainties relating to the IBOR reform, irrespective of the remaining terms of the hedged items and hedging instruments included in the hedging relationships.

The uncertainties relate to the USD LIBOR and CAD CDOR reference rates.

In cash flow hedges used to hedge the risk of changes in future cash flows, the uncertainty relates to the highly probable expectation of hedged variable future cash flows.

The likely effects of the IBOR reform are being assessed on an ongoing basis and the requisite action will be taken in good time. By modifying systems and processes, these measures are designed to ensure that the new reference rates can replace those superseded by the IBOR reform in a timely manner. Porsche AG is currently focusing on the SONIA benchmark interest rate due to its high level of market acceptance and the materiality of the transactions involved.

The notional amounts of hedging instruments affected by the above uncertainties surrounding the IBOR reform amount to €3,212 million (prior year: €2,885 million) for USD LIBOR and €108 million (prior year: €94 million) for CAD CDOR.

6 OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

6.1 Carrying amounts of financial instruments by measurement category

The table below shows the carrying amounts of financial instruments by measurement category.

€ million	Dec. 31, 2020	Dec. 31, 2019
Financial assets measured at fair value through profit or loss	846	513
Financial assets measured at fair value through other comprehensive income (debt instruments)	–	–
Financial assets measured at fair value through other comprehensive income (equity instruments)	75	0
Financial instruments measured at amortized cost	18,404	16,096
Financial liabilities measured at fair value through profit or loss	70	17
Financial liabilities measured at amortized cost	12,654	12,164

The measurement category "financial assets measured at fair value through other comprehensive income (equity instruments)" contains equity investments in unlisted companies in which the Porsche AG group holds between 0.03 per cent and 15.17 per cent of the shares. As these are long-term equity investments, they are irrevocably measured at fair value through other comprehensive income.

The fair values recognized as of December 31, 2020 relate to the shares in Rimac Automobili D.O.O., Sveta Nedelja (€30 million; prior year: €0 million), WayRay AG, Zurich (€18 million; prior year: €0 million), Greyp bikes D.O.O., Brezje (€7 million; prior year: €0 million), Urgent.ly Inc., Vienna (€7 million; prior year: €0 million), as well as additional smaller equity investments (€13 million; prior year: €0 million).

6.2 Classes of financial instruments

The Porsche AG group allocates financial instruments to the following classes:

- financial instruments measured at fair value
- financial instruments measured at amortized cost
- derivative financial instruments included in hedge accounting
- not allocated to any measurement category
- Credit commitments and financial guarantees (not recognized in the statement of financial position)

6.3 Reconciliation of items in the statement of financial position to the classes of financial instruments

The table below presents a reconciliation of the line items in the statement of financial position to the classes of financial instruments, broken down by the carrying amounts and fair values of the financial instruments.

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	STATEMENT OF FINANCIAL POSITION ITEM AT DEC. 31, 2020
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	167	**167**
Other equity investments	105	–	–	–	112	**217**
Financial services receivables	–	1,393	1,451	–	1,021	**2,414**
Other financial assets	54	8,281	8,308	535	–	**8,870**
Current assets						
Trade receivables	–	1,081	1,081	–	–	**1,081**
Financial services receivables	–	538	538	–	584	**1,122**
Other financial assets	7	2,611	2,611	143	–	**2,761**
Securities	755	–	–	–	–	**755**
Cash, cash equivalents and time deposits	–	4,500	4,500	–	–	**4,500**
Non-current liabilities						
Financial liabilities	–	4,795	4,873	–	873	**5,668**
Other financial liabilities	6	173	173	106	–	**285**
Current liabilities						
Financial liabilities	–	2,566	2,566	–	91	**2,657**
Trade payables	–	2,335	2,335	–	–	**2,335**
Other financial liabilities	64	2,785	2,785	110	–	**2,959**

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	STATEMENT OF FINANCIAL POSITION ITEM AT DEC. 31, 2019
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	298	**298**
Other equity investments	0	–	–	–	146	**146**
Financial services receivables	–	832	871	–	1,009	**1,841**
Other financial assets	51	8,219	8,923	79	–	**8,349**
Current assets						
Trade receivables	–	842	842	–	–	**842**
Financial services receivables	–	322	322	–	520	**842**
Other financial assets	11	2,370	2,370	34	–	**2,415**
Securities	451	–	–	–	–	**451**
Cash, cash equivalents and time deposits	–	3,511	3,511	–	–	**3,511**
Non-current liabilities						
Financial liabilities	–	4,545	4,595	–	830	**5,375**
Other financial liabilities	6	225	225	426	–	**657**
Current liabilities						
Financial liabilities	–	2,159	2,159	–	80	**2,239**
Trade payables	–	2,582	2,582	–	–	**2,582**
Other financial liabilities	11	2,653	2,653	419	–	**3,083**

The fair value of financial instruments accounted for at amortized cost, such as receivables and liabilities, is determined by means of discounting using a market interest rate that reflects the risks involved and when the outflow is due. For reasons of materiality, fair value is adopted as the carrying amount for current items in the statement of financial position.

For the reconciliation to the carrying amounts in the statement of financial position, the "Not allocated to a measurement category" column in the table also includes items that are not financial instruments.

The key risk variables for the fair values of receivables are risk-adjusted interest rates.

Financial instruments measured at fair value also include shares in partnerships and corporations.

6.4 Fair values of financial assets and liabilities

Fair values are allocated to the levels of the fair value hierarchy based on the availability of observable market prices. Level 1 shows the fair values of financial instruments where a quoted price is directly available on active markets. This includes securities issued by the Porsche AG group. Fair values in level 2, such as derivatives, are derived from market data using market valuation techniques. These market data include in particular currency exchange rates and yield curves which are observable on the relevant markets and can be obtained from pricing service providers. Level 3 fair values are calculated using valuation techniques with inputs that are not based on directly observable market data. In particular, the Porsche AG group allocated options on equity instruments to level 3. Equity instruments are primarily measured on the basis of the respective business plans and entity-specific discount rates.

Financial assets and liabilities measured at fair value by level:

€ million	Dec. 31, 2020	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	**105**	0	–	105
Financial services receivables	**–**	–	–	–
Other financial assets	**54**	–	12	42
Current assets				
Trade receivables	**–**	–	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**7**	–	7	–
Securities	**755**	755	–	–
Assets classified as held for sale	**–**	–	–	–
Non-current liabilities				
Other financial liabilities	**6**	–	6	–
Current liabilities				
Other financial liabilities	**64**	–	64	–

	Dec. 31, 2019	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	**0**	0	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**51**	–	22	29
Current assets				
Trade receivables	**–**	–	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**11**	–	11	–
Securities	**451**	451	–	–
Assets classified as held for sale	**–**	–	–	–
Non-current liabilities				
Other financial liabilities	**6**	–	6	–
Current liabilities				
Other financial liabilities	**11**	–	11	–

The fair values of financial assets and liabilities measured at amortized cost are presented in the following overview. The fair value of receivables from financial services allocated to level 3 is determined using the current market interest rates valid on the reporting date instead of the internal interest rate. The material inputs used to calculate the fair value of receivables from financial services are forecasts and estimates of used vehicle residual values for the respective models. The receivables from financial services also include assets amounting to €1,605 million (prior year: €1,529 million) that are measured in accordance with IFRS 16.

€ million	Dec. 31, 2020	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	**1,989**	–	–	1,989
Trade receivables	**1,081**	–	1,081	–
Other financial assets	**11,615**	408	11,207	0
Cash, cash equivalents and time deposits	**4,500**	4,344	156	–
Fair value of financial assets measured at amortized cost	**19,185**	4,752	12,444	1,989
Fair value of financial liabilities measured at amortized cost				
Trade payables	**2,335**	–	2,335	–
Financial liabilities	**7,439**	0	7,439	–
Other financial liabilities	**2,958**	37	2,761	160
Fair value of financial liabilities measured at amortized cost	**12,732**	37	12,535	160

	Dec. 31, 2019	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	**2,722**	–	–	2,722
Trade receivables	**842**	–	842	–
Other financial assets	**11,293**	408	10,885	0
Cash, cash equivalents and time deposits	**3,511**	3,174	337	–
Fair value of financial assets measured at amortized cost	**18,368**	3,582	12,064	2,722
Fair value of financial liabilities measured at amortized cost				
Trade payables	**2,582**	–	2,582	–
Financial liabilities	**6,754**	–	6,754	–
Other financial liabilities	**2,878**	46	2,621	211
Fair value of financial liabilities measured at amortized cost	**12,214**	46	11,957	211

Derivative financial instruments included in hedge accounting by level:

€ million	Dec. 31, 2020	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	**535**	–	535	–
Current assets				
Other financial assets	**143**	–	143	–
Non-current liabilities				
Other financial liabilities	**106**	–	106	–
Current liabilities				
Other financial liabilities	**110**	–	110	–

€ million	Dec. 31, 2019	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	**79**	–	79	–
Current assets				
Other financial assets	**34**	–	34	–
Non-current liabilities				
Other financial liabilities	**426**	–	426	–
Current liabilities				
Other financial liabilities	**419**	–	419	–

The table below summarizes the changes in items in the statement of financial position measured at fair value and allocated to level 3:

€ million	Financial assets measured at fair value
Balance at Jan. 1, 2020	29
Changes in consolidated group	90
Additions (acquisitions)	19
Reclassification from level 2 to level 3	0
Total comprehensive income	10
recognized in profit or loss	11
recognized directly in equity	– 1
Realizations	– 1
Disposal (sales)	0
Balance at Dec. 31, 2020	**147**
Gains or losses recognized in profit or loss	
Other operating profit/loss	– 1
thereof attributable to assets/liabilities held on the reporting date	– 1
Financial result	12
thereof attributable to assets/liabilities held on the reporting date	1
Balance at Jan. 1, 2019	88
Changes in consolidated group	
Additions (acquisitions)	11
Reclassification from level 2 to level 3	–
Total comprehensive income	– 4
recognized in profit or loss	– 4
recognized directly in equity	–
Realizations	– 14
Disposal (sales)	– 52
Balance at Dec. 31, 2019	**29**
Gains or losses recognized in profit or loss	
Other operating profit/loss	–
thereof attributable to assets/liabilities held on the reporting date	–
Financial result	– 4
thereof attributable to assets/liabilities held on the reporting date	– 4

Transfers between the levels of the fair value hierarchy are generally reported as of the respective reporting dates. There were no transfers between the levels of the fair value hierarchy during the reporting period.

The key risk variable for equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in the risk variable on profit after tax as well as equity. If the assumed enterprise value had been 10 per cent higher as of December 31, 2020, profit after tax would have been €2 million (prior year: €0 million) higher. If the assumed enterprise value had been 10 per cent lower as of December 31, 2020, profit after tax would have been €2 million (prior year: €0 million) lower. If the assumed enterprise value had been 10 per cent higher as of December 31, 2020, equity would have been €5 million (prior year: €0 million) higher. If the assumed enterprise value had been 10 per cent lower as of December 31, 2020, equity would have been €5 million (prior year: €0 million) lower.

The key risk variable for options on equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in the risk variable on profit after tax. If the assumed enterprise value had been 10 per cent higher as of December 31, 2020, profit after tax would have been €3 million (prior year: €2 million) higher. If the assumed enterprise value had been 10 per cent lower as of December 31, 2020, profit after tax would have been €3 million (prior year: €2 million) lower.

6.5 Offsetting financial assets and liabilities

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Financial instruments	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Collateral received	**Net amount at Dec. 31, 2020**
Derivative financial instruments	739	–	739	– 186	–	**553**
Financial services receivables	3,536	–	3,536	–	–	**3,536**
Trade receivables	1,081	–	1,081	–	–	**1,081**
Securities	755	–	755	–	–	**755**
Cash, cash equivalents and time deposits	4,500	–	4,500	–	–	**4,500**
Other financial assets	10,997	–	10,997	–	–	**10,997**

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Financial instruments	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Collateral received	**Net amount at Dec. 31, 2019**
Derivative financial instruments	176	–	176	– 106	–	**70**
Financial services receivables	2,683	–	2,683	–	–	**2,683**
Trade receivables	842	–	842	–	–	**842**
Securities	451	–	451	–	–	**451**
Cash, cash equivalents and time deposits	3,511	–	3,511	–	–	**3,511**
Other financial assets	10,589	–	10,589	–	–	**10,589**

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Financial instruments	Collateral pledged	**Net amount at Dec. 31, 2020**
Derivative financial instruments	286	–	286	– 186	–	**100**
Financial liabilities	8,325	–	8,325	–	–	**8,325**
Trade payables	2,335	–	2,335	–	–	**2,335**
Other financial liabilities	2,958	–	2,958	–	–	**2,958**

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION: Financial instruments	Collateral pledged	**Net amount at Dec. 31, 2019**
Derivative financial instruments	861	–	861	– 106	–	**755**
Financial liabilities	7,614	–	7,614	–	–	**7,614**
Trade payables	2,582	–	2,582	–	–	**2,582**
Other financial liabilities	2,878	–	2,878	–	–	**2,878**

The tables above present disclosures on the effects of offsetting in the consolidated statement of financial position and the potential financial effect of offsetting in the case of instruments subject to an enforceable master netting arrangement or similar agreement.

The column "Other financial assets" contains other equity investments measured at fair value of € 105 million (prior year: € 0 million).

The "Financial instruments" column presents amounts subject to a master netting arrangement but that are not offset because they do not meet the conditions for offsetting in the statement of financial position. The "Collateral received" and "Collateral pledged" columns present the amounts in relation to the total amount of assets and liabilities received or pledged as collateral in the form of cash or financial instruments that do not meet the conditions for offsetting in the statement of financial position.

6.6 Asset-backed securities transactions

Transactions in asset-backed securities conducted to refinance the financial services business amounted to €4,650 million (prior year: €4,252 million) and were reported in the ABS bonds. The corresponding carrying amount of the receivables from customer and dealer financing and the finance lease business amounted to €1,880 million (prior year: €1,257 million). Collateral totaling €7,188 million (prior year: €6,452 million) was provided for transactions in asset-backed securities. The expected payments to the special purpose entities and the financed vehicles are assigned as collateral. The transactions in asset-backed securities did not result in the disposal of receivables from the financial services business since del credere and repayment risks were retained within the Porsche AG group. The difference between the pledged receivables and the associated liabilities resulted from the share of vehicles financed within the Porsche AG group.

A majority of the group's asset-backed securities transactions may be repaid ahead of schedule ("clean up call") if less than 10 per cent of the original transaction volume is outstanding. The pledged receivables may not be pledged further or otherwise serve as collateral. The claims of the bond holders are limited to the amount of the receivables pledged and the proceeds from these receivables are earmarked for repayment of the corresponding liability. As of December 31, 2020, the fair value of the receivables from the financing business that have been pledged but not disposed of amounted to €1,682 million (prior year: €1,171 million). The fair value of the associated liabilities as of the reporting date amounted to €1,610 million (prior year: €1,187 million).

6.7 Total interest income and expenses

The total interest income attributable to financial assets and liabilities measured at amortized cost, as calculated using the effective interest method, amounted to €519 million (prior year: €521 million) and the total interest expenses amounted to €158 million (prior year: €162 million).

6.8 Net gains/losses from financial instruments

The following table shows the net gains or losses from financial assets and financial liabilities, which is followed by detailed information on the material items.

Net gains/losses from financial assets by IFRS 9 measurement category:

€ million	2020	2019
Financial instruments measured at fair value through profit or loss	**– 73**	11
Financial instruments measured at amortized cost	**410**	464
Financial assets measured at fair value through other comprehensive income (debt instruments)	**–**	0
Financial liabilities measured at amortized cost	**10**	– 78

The net gains or losses in the "financial instruments measured at fair value through profit or loss" category mainly result from the fair value measurement of derivatives, including interest and gains or losses on currency translation.

The net gains or losses in the “financial assets and liabilities measured at amortized cost” category mainly comprise interest income and expenses under the effective interest method pursuant to IFRS 9, currency translation effects, and the recognition of loss allowances. Interest also includes interest income and expenses from the lending business in the financial services division.

[35] CONTINGENT LIABILITIES

€ million	Dec. 31, 2020	Dec. 31, 2019
Guarantees	**3**	9
Warranties	**0**	0
Collateral for third-party liabilities	**–**	–
Other contingent liabilities	**16**	4

No provisions were recognized for contingent liabilities as the probability of occurrence of the risk is remote. The contingent liabilities do not include amounts connected with the diesel issue described in note **[37]**. Further official investigations/proceedings are at a stage where the basis for claims has not yet been specified and/or the amounts cannot be determined with sufficient precision. To the extent that they meet the definition of a contingent liability, these official investigations/proceedings were generally not disclosed due to the lack of measurable data.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of contingent liabilities in connection with administrative investigations, so as not to prejudice the outcome of the proceedings or the company’s interests. Further information can be found in note **[37]**.

[36] OTHER FINANCIAL OBLIGATIONS

€ million	Maturity: Within one year	Within one to five years	More than five years	Total
Dec. 31, 2020				
Purchase commitments in respect of				
Property, plant and equipment	404	124	–	528
Intangible assets	908	91	–	999
Obligations from				
Leasing and rental contracts	43	28	8	79
Miscellaneous other financial obligations	212	116	17	345
Total	**1,567**	**359**	**25**	**1,951**
Dec. 31, 2019				
Purchase commitments in respect of				
Property, plant and equipment	438	181	–	619
Intangible assets	659	260	–	919
Obligations from				
Leasing and rental contracts	42	38	4	84
Miscellaneous other financial obligations	220	128	–	348
Total	**1,359**	**607**	**4**	**1,970**

[37] LITIGATION

In the course of their operating activities, Porsche AG and the companies in which it holds direct or indirect interests are involved in a large number of legal disputes and official proceedings, both in Germany and abroad. Among others, these legal disputes and proceedings relate to or are connected with employees, authorities, services, dealers, investors, customers, products or other contractual partners. They may lead to payments such as fines as well as other obligations and consequences for the companies involved. In particular, substantial compensation or punitive damages may have to be paid and cost-intensive measures may be necessary. It is often not possible, or only to a very limited extent to quantify the specific effects of an objective threat.

In addition, risks may arise in respect of compliance with regulatory requirements. This applies in particular to regulatory gray areas, where Porsche AG or the companies in which it holds direct or indirect interests may make interpretations that differ from those of the competent authorities. Legal risks may also arise due to the criminal actions of individuals, which even the best compliance management system can never fully rule out.

Where doing so was manageable and economically feasible, adequate insurance cover was taken out to cover these risks. For risks that could be identified and measured, appropriate provisions were recognized or disclosures on contingent liabilities were made based on present knowledge. Since some risks cannot be assessed, or only to a limited extent, it cannot be ruled out that significant losses or damage may arise in an amount not covered by the insurance or provisions. This applies in particular to the assessment of legal risks arising from the diesel issue.

DIESEL ISSUE

On November 2, 2015, the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America, Inc.

The notice alleges that certain 3.0 liter V6 Volkswagen Group diesel engines are in contravention of the applicable emissions certification standards.

Porsche AG has decided to voluntarily halt sales of the roughly 11,500 3.0 liter V6 diesel engines affected pending a decision and recertification by the US authorities.

On January 4, 2016, the US Department of Justice filed a complaint at the request of the EPA against the above companies, among others. In addition, class actions were filed by customers, dealers and investors and proceedings were initiated by further authorities and institutions (including the Department of Justice (civil and criminal), state attorney generals, the Federal Trade Commission and the Customs and Border Protection Agency) over the course of 2016. Porsche AG cooperated with all of the parties involved to clarify the matter.

On January 11, 2017, the US Department of Justice published the agreement with the VW group, including Porsche AG. The agreement with Porsche AG is limited to civil penalties. Volkswagen has signed a hold harmless agreement for the fines. The Porsche AG group will not be supervised by an external monitor. The organizational and process requirements have already been largely addressed in the Porsche remediation plan. On May 11, 2017, the agreement of January 2017 was confirmed by the courts. On October 23, 2017, the US authorities approved the software update submitted for review by the Volkswagen group relating to emissions compliant repair (ECR) for around 38,000 vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 Cayenne V6 diesel vehicles concerned began in November 2017. The requisite software update was successfully rolled out in fiscal year 2018. The recall quota specified in the agreement with the US authorities was thus exceeded.

Audi AG has indemnified Porsche AG against the costs of legal risks, litigation, product liability complaints or other third-party complaints relating to the 2013–2016 Porsche Cayennes affected in North America and it was agreed to not plea the statute of limitations until July 31, 2023. Consequently, it is not expected that the Porsche AG group will be subject to any significant outflow of resources in this regard.

Accordingly, no receivables were recognized for other costs incurred in connection with the diesel issue in North America for which Audi AG has signed a hold harmless agreement as an outflow of resources is not virtually certain.

For the civil law proceedings outside of the US and Canada in connection with the diesel issue, Porsche AG expects - based on previous agreements and accounting practice - that all costs incurred in this connection for legal risks and litigation costs will be borne by Audi AG and will pass the costs on to them. No extensive provisions will be recognized for future expected outflows of resources.

In July 2017, the public prosecutor's office in Stuttgart instigated a criminal investigation into the diesel issue against one Executive Board member as well as a total of seven employees or former employees of Porsche AG on suspicion of fraud and false advertising. On January 21, 2019, the public prosecutor's office in Stuttgart instigated administrative fine proceedings pursuant to sections 30 and 130 of the German Act on Breaches of Administrative Regulations (Ordnungswidrigkeitsgesetz – OWiG). The administrative offense proceedings initiated against Porsche AG in connection with the diesel issue ended with the fine notice issued by the public prosecutor's office in Stuttgart on May 7, 2019. The fine notice is based on a negligent breach of supervisory duty in the organizational unit *Prüffeld Entwicklung Gesamtfahrzeug/Qualität* (Overall Vehicle Development/Quality – Testing Facility). The fine notice imposes a total fine of €535 million, comprising a penalty payment of €4 million and the forfeiture of economic benefits amounting to €531 million. After a thorough review, Porsche AG did not appeal the penalty payment and paid the fine in full, rendering the fine notice legally binding. The fine notice ends the administrative offense proceedings against Porsche AG. As a consequence, it is highly unlikely that any further penalties or forfeitures will be imposed on Porsche AG in Europe in connection with the uniform circumstances underlying the fine notice.

Furthermore, a number of administrative investigations and proceedings are pending around the world against Porsche AG and its subsidiaries as well as against its executive directors with regard to the diesel issue.

OTHER LITIGATION

On August 4, 2017, the Tax Office Stuttgart II – criminal and administrative fines division – instigated administrative fine proceedings against Porsche AG and several current and former members of the Executive Board of Porsche AG. The proceedings relate to an alleged breach of supervisory duty on the part of the Executive Board members affected resulting in reckless tax evasion and wage tax fraud being committed within the company. The tax authorities have yet to make a decision, and in particular have not yet issued a fine. Porsche AG is cooperating with the fiscal authorities in the treatment of all relevant tax matters. Porsche AG expects the proceedings to come to a close in the first quarter of 2021. An investigation also pending with the public prosecutor's office in Stuttgart on account of suspected tax evasion and embezzlement charges against several current and former members of the company's Executive Board will most likely be converted into the above-mentioned administrative fine proceedings and otherwise discontinued. A corresponding provision has been set up for a potential fine.

As part of its antitrust investigations in the automotive industry, in April 2019 the European Commission sent a statement of objections to Porsche AG and other German car manufacturers. In it, the European Commission outlined its preliminary assessment of the matter and gave the opportunity to make a statement. The subject matter of the proceedings is restricted to cooperation between German car manufacturers on technical issues in connection with the development and launch of SCR systems and "otto" particle filters for passenger cars that were sold in the European Economic Area. The manufacturers were not accused of other conduct such as price fixing or allocating markets and customers. The Volkswagen Group gained access to the investigation files in July 2019 and in December 2019 submitted its response to the European Commission's statement of objections. In addition, in 2019 the Chinese and in 2020 both the Turkish and South Korean antitrust authorities opened proceedings against Porsche AG and other German car manufacturers relating to the same matter.

In October 2020, the U.S. District Court for the Northern District of California dismissed two antitrust class actions in which the plaintiffs had alleged that several car manufacturers, including Porsche AG and other companies of the VW Group had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protections law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support the alleged anticompetitive agreements. The plaintiffs filed an appeal with the US Court of Appeal against this ruling. Lawsuits are also pending in Canada against several car manufacturers including Porsche AG and several of its Canadian subsidiaries as well as other Volkswagen Group companies with similar allegations on behalf of putative classes of purchasers. Neither provisions nor contingent liabilities were recognized because the early stage of proceedings means that an assessment is not currently possible. Porsche AG and its subsidiaries will also defend these claims in Canada should the plaintiffs actually take further action.

In February 2020, the US District Court for the Northern District of California definitively approved a class action settlement of civil claims relating to approximately 50,000 Porsche vehicles with automatic transmission as well as further Volkswagen, Audi and Bentley vehicles.

With regard to vehicles for various markets worldwide, Porsche AG has identified potential regulatory issues. These issues relate to questions of the reliability of specific hardware and software components that were used in typing measurements. In individual cases, there may also be deviations from the series status. However, based on the information available at present, current production has not been affected. The issues are in no way related to the illegal defeat devices underlying the diesel issue. Porsche AG is cooperating with the responsible authorities, including the public prosecutor's office in Stuttgart, which has instigated a criminal investigation against five employees at Porsche AG. However, based on the information available, no criminal investigation has been instigated against the company. Internal investigations into this at Porsche are ongoing. To date, five different class actions relating to these issues have been filed in the US. According to the statement of claims, software and/or hardware allegedly used in the affected vehicles resulted in actual exhaust emissions and/or fuel consumption being higher than legally permitted. In January 2021, a consolidated complaint was filed combining the five class actions into one lawsuit. This will most likely be handled by the US District Court for the Northern District of California. The five lawsuits were originally directed at Porsche AG and its US importer subsidiary, Volkswagen AG as well as Audi AG, although not every company is being sued in all of the cases at hand.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of provisions and contingent liabilities in connection with material litigation, so as not to prejudice the outcome of the proceedings or the company's interests.

[38] SUBSEQUENT EVENTS

There were no events of significance to the net assets, financial position and results of operations after the end of fiscal year 2020.

[39] REMUNERATION BASED ON PERFORMANCE SHARES (SHARE-BASED PAYMENT)

At the end of 2018, the Supervisory Board of Porsche AG resolved to adjust the Executive Board remuneration system. The new Executive Board remuneration system comprises fixed and variable components. The variable remuneration consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI) in the form of a performance share plan with forward-looking three-year term (share-based payment).

In 2019, the group of persons eligible as performance share plan beneficiaries was expanded to include top managers. The first performance shares were granted to top managers at the beginning of 2019. At the end of 2019, the group of persons eligible as performance share plan beneficiaries was expanded to include all other managers. At the beginning of 2020, the members of management were granted remuneration based on performance shares for the first time.

The performance share plan for top management and the other beneficiaries works in essentially the same way as the performance share plan granted to members of the Executive Board. Upon introduction of the performance share plan, top managers were guaranteed a minimum bonus amount for the first three years based on the remuneration for 2018, while all other beneficiaries received a guarantee for the first three years based on the remuneration for 2019.

PERFORMANCE SHARES

Under the performance share plan, each performance period lasts three years. For the members of the Executive Board and the top management, upon awarding the LTI the annual target amount under the LTI is converted into performance shares on the basis of the initial reference price of Volkswagen preferred shares and is allocated to the respective beneficiary purely for calculation purposes.

The number of performance shares is allocated on the basis of a three-year, forward-looking performance period in line with the degree of target achievement for the annual earnings per Volkswagen preferred share. Settlement is effected in cash at the end of the performance period. The payment amount corresponds to the final number of determined performance shares multiplied by the closing reference price at the end of the term plus a dividend equivalent.

For all other beneficiaries, the amount paid out is determined by multiplying the target amount by the degree of target achievement for the annual earnings per Volkswagen preferred share and the ratio of the closing reference price at the end of the term plus a dividend equivalent and the initial reference price. Target achievement is based on a three-year performance period with one year of that period relating to future periods. In derogation of this, target achievement for 2020 will initially be based on a forward-looking performance of one year, and for 2021 on a two-year performance period with one year of that period relating to future periods.

For all beneficiaries, the payment amount under the performance share plan is capped at 200 per cent of the target amount; the payment amount is reduced by 20 per cent if the average ratio of capital expenditures or R&D to sales revenue in the automotive area of the group during the performance period is less than 5 per cent.

EXECUTIVE BOARD

		Dec. 31, 2020	**Dec. 31, 2019**
Total expense of the reporting period	€ million	9	-
Carrying amount of the obligation	€ million	9	-
Intrinsic value of the obligation	€ million	9	-
Fair value at grant date	€ million	4	-
Granted performance shares	Number	24,882	-
of which granted during the reporting period	Number	24,882	-

TOP-MANAGEMENT

		Dec. 31, 2020	Dec. 31, 2019
Total expense of the reporting period	€ million	**6**	5
Carrying amount of the obligation	€ million	**7**	5
Intrinsic value of the obligation	€ million	**7**	4
Fair value at grant date	€ million	**4**	3
Granted performance shares	Shares	**50,855**	26,136
of which granted during the reporting period	Shares	**24,719**	26,136

MEMBERS OF MANAGEMENT

In the fiscal year, all other beneficiaries were granted a target amount, based on a target achievement of 100 per cent, of €57 million (prior year: - € million). As of December 31, 2020, the total carrying amount of the obligation corresponding to the intrinsic value of the liabilities amounted to €67 million (prior year: - € million). In the reporting period, a total expense of €67 million (prior year: - € million) was recognized for this amount granted.

[40] RELATED PARTIES

In accordance with IAS 24, transactions with persons or entities that control or significantly influence Porsche AG or are controlled or significantly influenced by it must be disclosed.

As of the reporting date, Porsche AG was a subsidiary of Porsche Holding Stuttgart GmbH, Stuttgart. Since August 1, 2012, Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH have been included in the consolidated financial statements of Volkswagen AG based on the control concept.

There were receivables from and liabilities to Porsche Holding Stuttgart GmbH as of the reporting date (see notes **[19]** Other financial assets and **[29]** Other financial liabilities). Financial services rendered to that company led to interest income of €367 million (prior year: €368 million) while a services received of €0 million (prior year: €0 million) were recognized under interest expenses.

Even after the contribution of Porsche Holding Stuttgart GmbH to Volkswagen AG, the companies of the Porsche SE group are related parties due to the significant influence on Volkswagen AG.

There were supply relationships with the Volkswagen group relating to the vehicle and parts business and from consulting and development services. They were billed on arm's length terms. As of July 1, 2010, Porsche Financial Services Great Britain Ltd. no longer handles the new leases with customers or dealership purchase financing. The new business was transferred to Volkswagen Financial Services (UK) Ltd. under a cooperation agreement. In this context, the Porsche AG group assumes certain residual value risks. Porsche Cars Great Britain Ltd. recognized provisions of €2 million (prior year: €3 million) for these residual value risks.

As part of the transfer of the operating business and, in turn, the transfer of Porsche Holding Stuttgart GmbH by Porsche SE to Volkswagen AG in fiscal year 2012, Porsche SE entered into the following agreements with Volkswagen AG and entities of the Porsche Holding Stuttgart GmbH group in particular:

- Porsche SE holds Porsche AG harmless from tax liabilities (plus interest) and for certain major losses.
- In addition, Porsche SE agreed under certain circumstances to hold Porsche AG and its legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including July 31, 2009 recognized at the level of these entities.
- Porsche SE agreed to hold Porsche AG and its subsidiaries harmless from obligations that go beyond the obligations from periods up until and including December 31, 2011 recognized at the level of these entities. It was also agreed to allocate any subsequent VAT receivables and/or VAT liabilities arising from transactions up to December 31, 2009 between Porsche AG and Porsche SE to the entity concerned.
- Various conduct, cooperation and information duties were agreed between Porsche AG and Porsche SE.
- Volkswagen AG assumed responsibility for general financing for Porsche AG in the same way as it does for other subsidiaries of Volkswagen AG.

Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control, respectively, over Porsche SE. Therefore, relations with individuals and entities of the Porsche and Piëch families are subject to the disclosure requirements. There were no material supply relationships with the Porsche and Piëch families and their affiliated companies in the reporting period or the prior period.

In addition, Porsche AG group entities made the following material capital contributions in 2020:

- €24 million to Porsche Financial Leasing Ltd., Shanghai
- €5 million to Smart Press Shop GmbH & Co. KG, Stuttgart
- €3 million to Axel Springer Porsche GmbH & Co. KG, Berlin
- €2 million to serva GmbH, Stuttgart
- €2 million to New Horizon GmbH, Berlin
- €1 million to Porsche Digital China Ltd., Shanghai
- €0.6 million to FlexFactory GmbH, Stuttgart
- €0.5 million to Porsche Digital España, S.L., Barcelona

In the prior period, the following material capital contributions were made:

- €46 million to Porsche Investments GmbH, Stuttgart
- €29 million to Cetitec GmbH, Pforzheim
- €20 million to IONITY Holding GmbH & Co. KG, Munich
- €11 million to Porsche Design Asia Hong Kong Ltd., Hong Kong
- €4 million to Porsche Design Timepieces AG, Solothurn
- €1 million to Porsche Consulting SAS, Asnières-sur-Seine
- €0.5 million to Smart Press Shop GmbH & Co. KG, Stuttgart

In addition, Porsche AG received a capital contribution from Porsche Holding Stuttgart GmbH in 2020 in the amount of €1,028 million (see note **[24]**). In the prior period, this capital contribution had amounted to €1,273 million.

As of the reporting date there were also loans to non-consolidated subsidiaries amounting to €99 million (prior year: €153 million), to associates amounting to €1 million (prior year: €0 million), to joint ventures amounting to

€1 million (prior year: €0 million) and to Volkswagen AG group companies amounting to €249 million (prior year: €192 million).

The tables below do not include the dividend payments received from the joint ventures and associates amounting to €5 million (prior year: €6 million).

Write-downs of €15 million (prior year: €15 million) were recognized in respect of the outstanding receivables from related parties. Expenses amounting to €7 million (prior year: €1 million) were incurred for this purpose in fiscal year 2020. Collateral in rem provided by Volkswagen AG group companies was recognized in the total amount of €0 million in 2020 (prior year: €0 million). The maximum credit risk for financial guarantees issued to joint ventures amounted to €73 million (prior year: €73 million).

Furthermore, the Porsche AG group acts as guarantor for non-consolidated subsidiaries in the amount of €1 million (prior year: €2 million). In addition, there were other obligations not recognized in the statement of financial position in 2020 to Volkswagen AG group companies amounting to €110 million (prior year: €92 million), to non-consolidated subsidiaries amounting to €1 million (prior year: €7 million), to joint ventures amounting to €1 million (prior year: €0 million) and to associates amounting to €21 million (prior year: €20 million).

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it, including close family members. In the reporting period, this related to the members of the Executive Board of Porsche AG and its Supervisory Board as well as their close family members. Supplies and services rendered and liabilities to members of management bodies and the Supervisory Board only included services from the vehicle, parts and design business, and other services. The employee representatives appointed to the Supervisory Board continue to be entitled to a normal salary in accordance with their employment contracts. Where members of German works councils are concerned, the salary conforms to the requirements of the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG). Porsche AG has reviewed the total remuneration and currently assumes that it is appropriate, including for the representative of management.

The benefits and compensation granted to the members of the Executive Board and of the Supervisory Board for their work as members of those bodies are presented after the list of interests and are not included in the following list of supplies and services rendered or received or the list of the receivables and liabilities.

Related parties:

€ million	Supplies and services rendered 2020	Supplies and services rendered 2019	Supplies and services received 2020	Supplies and services received 2019
Porsche and Piëch families	**0**	–	**0**	–
Porsche SE	**2**	3	**0**	0
Volkswagen AG – group	**3,788**	3,670	**4,718**	5,097
Porsche Holding Stuttgart GmbH	**367**	368	**–**	0
Non-consolidated entities	**17**	28	**95**	131
Joint ventures	**1**	1	**1**	0
Associates	**1**	1	**87**	92
Members of the Executive Board and the Supervisory Board Porsche AG	**2**	2	**–**	0
Members of the Executive Board and the Supervisory Board Volkswagen AG	**0**	0	**–**	0
	4,178	**4,073**	**4,901**	**5,320**

€ million	Receivables Dec. 31, 2020	Receivables Dec. 31, 2019	Liabilities Dec. 31, 2020	Liabilities Dec. 31, 2019
Porsche and Piëch families	**–**	–	**–**	–
Porsche SE	**0**	0	**0**	–
Volkswagen AG – group	**5,367**	2,914	**904**	1,486
Porsche Holding Stuttgart GmbH	**9,961**	9,722	**2,465**	2,133
Non-consolidated entities	**114**	181	**74**	33
Joint ventures	**1**	–	**0**	–
Associates	**2**	0	**44**	44
Members of the Executive Board and the Supervisory Board Porsche AG	**–**	0	**0**	1
Members of the Executive Board and the Supervisory Board Volkswagen AG	**–**	–	**–**	–
	15,445	**12,817**	**3,487**	**3,697**

List of interests held in Porsche AG subsidiaries not subject to full consolidation that are related parties within the meaning of IAS 24:

Name and domicile of the company	Interest held by the parent company
Non-consolidated subsidiaries	
Porsche Niederlassung Mannheim GmbH, Bietigheim-Bissingen	100.00
Datura Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Manthey Racing GmbH, Meuspath	51.00
Manthey Servicezentrum GmbH, Meuspath	100.00
Ferry-Porsche-Stiftung, Stuttgart	0.00
New Horizon GmbH, Berlin	25.65
Cetitec GmbH, Pforzheim	75.00
Dastera Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Initium GmbH, Berlin	100.00
serva GmbH, Stuttgart	100.00
Porsche Digital, Inc., Atlanta / GA	100.00
Porsche Design Studio North America, Inc., Beverly Hills / CA	100.00
Porsche Design Great Britain Ltd., London	100.00
Porsche Design Italia S.r.l., Padua	100.00
Porsche Consulting Ltda., São Paulo	100.00
Shanghai Advanced Automobile Technical Centre Co., Ltd., Shanghai	100.00
MHP Americas Inc., Atlanta / GA	100.00
Porsche Services Singapore Pte Ltd., Singapore	100.00
Dalegrid Ltd., Reading	100.00
Nardò Technical Center S.r.l., Santa Chiara di Nardò	100.00
Porsche Design Asia Hong Kong Ltd., Hongkong	100.00
Porsche Services Middle East & Africa FZE, Dubai	100.00
MHP (Shanghai) Management Consultancy Co., Ltd., Shanghai	100.00
Porsche Design Sales (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Engineering Romania S.R.L., Cluj-Napoca	100.00
MHP Consulting UK Ltd., Birmingham	100.00
AFN Ltd., Reading	100.00
MHP Consulting Romania S.R.L., Cluj-Napoca	100.00
Porsche Design Netherlands B.V., Roermond	100.00
Porsche Design Timepieces AG, Solothurn	100.00
Porsche Engineering (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Smart Mobility Canada, Ltd., Toronto / ON	100.00
Porsche Werkzeugbau s.r.o., Dubnica nad Váhom	100.00
Porsche Consulting Canada Ltd., Toronto / ON	100.00
Cetitec USA Inc., Dublin / OH	100.00
Cetitec d.o.o., Cakovec	100.00
Porsche Consulting S.A.S., Asnières-sur-Seine	100.00
Porsche Digital España, S.L., Barcelona	100.00
Porsche Financial Leasing Ltd., Shanghai	100.00
Porsche Digital China Ltd., Shanghai	100.00
Porsche Digital Croatia d.o.o., Zagreb	50.00

List of interests held in Porsche AG group joint ventures and associates that are related parties within the meaning of IAS 24:

Name and domicile of the company	Interest held by the parent company
Joint ventures	
IONITY Holding GmbH & Co. KG, Munich	20.00
PDB-Partnership for Dummy Technology and Biomechanics GbR, Ingolstadt	20.00
Axel Springer Porsche GmbH & Co. KG, Berlin	50.00
Axel Springer Porsche Management GmbH, Berlin	50.00
Smart Press Shop Verwaltungs-GmbH, Stuttgart	50.00
Smart Press Shop GmbH & Co. KG, Stuttgart	50.00
FlexFactory GmbH, Stuttgart	50.00
Material Science Center Qatar QSTP-LLC in Liquidation, Doha	25.00
Associates	
Bertrandt AG, Ehningen	29.10
The Business Romantic Society Verwaltungs GmbH, Berlin	5.14
Fanzone Media GmbH, Berlin	4.99

In addition, the following benefits and compensation granted to the members of the Executive Board and of the Supervisory Board of Porsche AG have been recognized as expenses for their work as members of those bodies at Porsche AG:

€ million	2020	2019
Short-term employee benefits	**11.9**	18.8
Remuneration based on performance shares	**8.8**	–
Post-employment benefits	**2.6**	2.5
	23.3	**21.3**

Remuneration based on performance shares contains expenses for the performance shares granted to Executive Board members under the modified remuneration system of €8.8 million (prior year: - € million).

There were balances outstanding at the end of the period for short-term and long-term benefits as well as for the fair values of the performance shares granted to the Executive Board members amounting to €18.5 million (prior year: €20.7 million). The post-employment benefits concern the additions to pension provisions for service cost relating to active Executive Board members.

[41] PERSONNEL EXPENSES

€ million	2020	2019
Wages and salaries	**3,356**	3,240
Social security contributions, pension and other benefit costs	**874**	763
	4,230	**4,003**

Employees (annual average)[1)]		
Performance-related wage earners	**9,000**	8,001
Salaried staff	**26,263**	25,194
Trainees	**756**	815
	36,019	**34,010**

1) The figures reflect the number of employees including employees in the leave phase of their phased retirement arrangement. Performance-related wage earners include all employees working in production at Porsche AG and Porsche Leipzig GmbH.

[42] GOVERNMENT GRANTS

Government grants of €38 million (prior year: €0 million) were deducted from the cost of property, plant and equipment. It is assumed that all the conditions associated with the grant have been met.

Profit-related government grants in the fiscal year amounted to €72 million (prior year: €30 million).

Stuttgart, February 10, 2021

Dr. Ing. h.c. F. Porsche Aktiengesellschaft

The Executive Board

________________________	________________________
Dr. Oliver Blume, Chairman	Lutz Meschke, Deputy Chairman
________________________	________________________
Andreas Haffner	Detlev von Platen
________________________	________________________
Albrecht Reimold	Uwe-Karsten Städter
________________________	
Dr. Michael Steiner	

English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers)

Independent Auditor's Report

To Dr. Ing. h.c. F. Porsche Aktiengesellschaft

Opinion

We have audited the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2020, the consolidated statement of financial position as of December 31, 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from January1 to December31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2020 and of its financial performance for the fiscal year from January 1 to December 31, 2020.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the opinion

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of matter paragraph – diesel issue and potential regulatory issues identified

We refer to the information presented by the Executive Board in the "Litigation" section of the notes to the consolidated financial statements, in which the allegations made and claims asserted against Dr. Ing. h.c. F. Porsche Aktiengesellschaft as well as the significant risks in connection with the diesel issue and additional potential regulatory issues identified are explained.

The provisions for warranty claims and legal risks recognized in the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2020 in connection with the diesel issue as well as additional potential regulatory issues identified are based on the information presented by the executive directors of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. Due to the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the risk estimation presented there by the executive directors of Dr. Ing. h.c. F. Porsche Aktiengesellschaft could change in the future.

Our opinion on the consolidated financial statements has not been modified in this respect.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of this system;

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, February 10, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok	Koch
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Audited Consolidated Financial Statements of the Company as of and for the year ended December 31, 2019, prepared in accordance with IFRS

Consolidated Income Statement

of Porsche AG for the period from January 1, 2019 to December 31, 2019

€ million	Note	2019	2018
Sales revenue	[1]	**28,518**	**25,784**
Cost of sales	[2]	**–21,256**	–18,629
Gross profit		**7,262**	**7,155**
Distribution expenses	[3]	**–2,044**	–1,901
Administrative expenses	[4]	**–1,029**	–1,103
Other operating income	[5]	**846**	813
Other operating expenses	[6]	**–1,173**	–675
Operating profit		**3,862**	**4,289**
Share of profit or loss of equity-accounted investments	[7]	**–1**	3
Interest income	[8]	**416**	408
Interest expenses	[8]	**–148**	–92
Other financial result	[9]	**–75**	–56
Financial result		**192**	**263**
Profit before tax		**4,054**	**4,552**
Income tax income/expense	[10]	**–1,253**	–1,434
Current		**–1,268**	–1,427
Deferred		**15**	–7
Profit after tax		**2,801**	**3,118**
thereof profit attributable to shareholders	[24]	**2,796**	3,113
thereof profit attributable to non-controlling interests	[11]	**5**	5
Profit transferred to Porsche Holding Stuttgart GmbH	[24]	**–1,798**	–2,290

Consolidated Statement of Comprehensive Income

of Porsche AG for the period from January 1, 2019 to December 31, 2019

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2019			
Profit after tax	**2,801**	**2,796**	**5**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	**–1,230**	–1,230	–
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	**364**	364	–
Pension plan remeasurements recognized in other comprehensive income, net of tax	**–866**	–866	–
Fair value valuation of other participations and securities (equity instruments) that will not be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	**–0**	0	–
Items that will not be reclassified to profit or loss	**–866**	**–866**	**–**
Foreign exchange differences			
Unrealized currency translation gains/losses	**92**	92	0
Transferred to profit or loss	**0**	–	–
Exchange differences on translating foreign operations, before tax	**92**	92	0
Deferred taxes relating to exchange differences on translating foreign operations	**–**	–	–
Exchange differences on translating foreign operations, net of tax	**92**	92	0
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	**–397**	–397	–
Transferred to profit or loss (OCI I)	**–76**	–76	–
Cash flow hedges (OCI I), before tax	**–473**	–473	–
Deferred taxes relating to cash flow hedges (OCI I)	**141**	141	–
Cash flow hedges (OCI I), net of tax	**–332**	–332	–
Fair value changes recognized in other comprehensive income (OCI II)	**–680**	–680	–
Transferred to profit or loss (OCI II)	**401**	401	–
Cash flow hedges (OCI II), before tax	**–279**	–279	–
Deferred taxes relating to cash flow hedges (OCI II)	**83**	83	–
Cash flow hedges (OCI II), net of tax	**–196**	–196	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	**–**	–	–
Transferred to profit or loss	**–**	–	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, before tax	**–**	–	–
Deferred taxes relating to fair value evaluation of securities and receivables (debt instruments) recognized on other comprehensive income	**–**	–	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	**–0**	–0	–
Items that may be reclassified subsequently to profit or loss	**–436**	**–436**	**0**
Other comprehensive income, before tax	**–1,890**	–1,890	0
Deferred taxes relating to other comprehensive income	**588**	588	–
Other comprehensive income, net of tax	**–1,302**	**–1,302**	**0**
Total comprehensive income	**1,499**	**1,494**	**5**

Consolidated Statement of Comprehensive Income

of Porsche AG for the period from January 1, 2018 to December 31, 2018

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2018			
Profit after tax	**3,118**	**3,113**	**5**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	**46**	46	–0
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	**–12**	–12	0
Pension plan remeasurements recognized in other comprehensive income, net of tax	**34**	34	–0
Fair value valuation of other participations and securities (equity instruments) that will not be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	**0**	0	–
Items that will not be reclassified to profit or loss	**34**	**34**	**–0**
Foreign exchange differences			
Unrealized currency translation gains/losses	**68**	68	0
Transferred to profit or loss	**–0**	–0	–
Exchange differences on translating foreign operations, before tax	**68**	68	0
Deferred taxes relating to exchange differences on translating foreign operations	**–**	–	–
Exchange differences on translating foreign operations, net of tax	**68**	68	0
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	**–283**	–283	–
Transferred to profit or loss (OCI I)	**–458**	–458	–
Cash flow hedges (OCI I), before tax	**–741**	–741	–
Deferred taxes relating to cash flow hedges (OCI I)	**223**	223	–
Cash flow hedges (OCI I), net of tax	**–518**	–518	–
Fair value changes recognized in other comprehensive income (OCI II)	**–664**	–664	–
Transferred to profit or loss (OCI II)	**184**	184	–
Cash flow hedges (OCI II), before tax	**–480**	–480	–
Deferred taxes relating to cash flow hedges (OCI II)	**143**	143	–
Cash flow hedges (OCI II), net of tax	**–337**	–337	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	**–**	–	–
Transferred to profit or loss	**–**	–	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, before tax	**–**	–	–
Deferred taxes relating to fair value evaluation of securities and receivables (debt instruments) recognized on other comprehensive income	**–**	–	–
Fair value valuation of securities and receivables (debt instruments) that may be reclassified to profit or loss, net of tax	**–**	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	**0**	0	–
Items that may be reclassified subsequently to profit or loss	**–787**	**–787**	**0**
Other comprehensive income, before tax	**–1,107**	–1,107	0
Deferred taxes relating to other comprehensive income	**354**	354	0
Other comprehensive income, net of tax	**–753**	**–753**	**0**
Total comprehensive income	**2,365**	**2,360**	**5**

Equity is explained in note **[24]**.

Consolidated Statement of Financial Position

of Porsche AG as of December 31, 2019

€ million	Note	Dec. 31, 2019	Dec. 31, 2018
Assets			
Intangible assets	[12]	**5,085**	4,929
Property, plant and equipment	[13] [33]	**8,624**	6,928
Leased assets	[15] [33]	**3,829**	3,776
Equity-accounted investments	[14]	**298**	368
Other equity investments	[14]	**146**	98
Financial services receivables	[18]	**1,841**	1,656
Other financial assets	[19]	**8,350**	8,398
Other receivables	[20]	**179**	125
Deferred tax assets	[21]	**1,355**	730
Non-current assets		**29,707**	**27,008**
Inventories	[16]	**4,013**	3,889
Trade receivables	[17]	**842**	759
Financial services receivables	[18]	**842**	730
Other financial assets	[19]	**2,415**	2,292
Other receivables	[20]	**490**	468
Tax receivables	[21]	**95**	81
Securities	[22]	**451**	297
Cash, cash equivalents and time deposits	[23]	**3,511**	2,635
Current assets		**12,659**	**11,151**
		42,366	**38,159**
Equity and Liabilities			
Subscribed capital	[24]	**45**	45
Capital reserves	[24]	**12,726**	11,453
Retained earnings	[24]	**4,991**	4,876
Other reserves	[24]	**–339**	97
Equity before non-controlling interests	[24]	**17,423**	**16,471**
Non-controlling interests	[24]	**5**	6
Equity		**17,428**	**16,477**
Provisions for pensions and similar obligations	[25]	**5,438**	3,792
Other provisions	[26]	**996**	778
Deferred tax liabilities	[31]	**681**	650
Financial liabilities[1]	[27]	**5,375**	3,644
Other financial liabilities[1]	[29]	**657**	399
Other liabilities	[30]	**492**	402
Non-current liabilities		**13,639**	**9,665**
Provisions for taxes	[31]	**129**	96
Other provisions	[26]	**2,118**	1,951
Financial liabilities	[27]	**2,239**	2,215
Trade payables	[28]	**2,582**	3,134
Other financial liabilities	[29]	**3,082**	3,441
Other liabilities	[30]	**1,077**	1,087
Tax payables	[31]	**72**	93
Current liabilities		**11,299**	**12,017**
		42,366	**38,159**

[1] The prior-year figures were restated (see note [29] Other financial liabilities)

Consolidated Statement of Cash Flows

of Porsche AG for the period of January 1, 2019 to December 31, 2019

€ million	2019	2018
Cash and cash equivalents at beginning of period	**2,635**	**2,960**
Profit before tax	**4,054**	4,552
Income taxes paid	**–1,310**	–1,531
Depreciation, amortization and impairment losses	**3,044**	2,567
Gain/loss on disposal of non-current assets	**10**	46
Share of profit or loss of equity-accounted investments	**7**	4
Other non-cash expense/income	**–127**	–214
Change in inventories	**–86**	–851
Change in receivables (excluding financial services)	**–372**	–505
Change in liabilities (excluding financial liabilities)	**–456**	504
Change in pension provisions	**417**	371
Change in other provisions	**378**	81
Change in leased assets	**–807**	–940
Change in financial services receivables	**–266**	–239
Cash flows from operating activities	**4,486**	**3,845**
Investments in intangible assets (excluding capitalized development costs), and property, plant and equipment	**–2,044**	–2,093
Additions to capitalized development costs	**–949**	–1,064
Change in equity investments	**–65**	–71
Cash received from disposal of intangible assets and property, plant and equipment	**13**	10
Change in investments in securities	**–146**	–237
Change in loans and time deposits	**–427**	–111
Cash flows from investing activities	**–3,617**	**–3,566**
Capital contributions	**1,273**	1,208
Profit transfer and dividends	**–2,294**	–2,157
Capital transactions with non-controlling interests	**–19**	–
Proceeds from issuance of bonds	**2,410**	2,727
Repayment of bonds	**–2,369**	–2,422
Change in other financial liabilities	**723**	38
Repayments of lease liabilities	**–77**	–
Cash flows from financing activities	**–353**	**–606**
Effect of exchange rate changes on cash and cash equivalents	**23**	2
Net change in cash and cash equivalents	**516**	**–327**
Cash and cash equivalents at end of period	**3,174**	**2,635**

Cash and cash equivalents at end of period	**3,174**	2,635
Securities, loans and time deposits	**1,360**	775
Gross liquidity	**4,534**	**3,410**

The statement of cash flows is explained in note **[32]**.

Consolidated Statement of Changes in Equity

of Porsche AG for the period from January 1, 2019 to December 31, 2019

€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation
Unadjusted balance at Jan. 1, 2018	45	10,245	4,096	7
Changes in accounting policy to reflect IFRS 9	–	–	–77	–
Balance at Jan. 1, 2018	45	10,245	4,019	7
Profit after tax	–	–	3,113	–
Other comprehensive income, net of tax	–	–	34	68
Total comprehensive income	–	–	3,147	68
Disposal of equity instruments	–	–	–	–
Capital increases/ decreases	–	1,208	–	–
Profit transfer and dividends payment	–	–	–2,290	–
Other changes	–	–	0	–
Balance at Dec. 31, 2018	**45**	**11,453**	**4,876**	**75**
Balance at Jan. 1, 2019	**45**	**11,453**	**4,876**	**75**
Profit after tax	–	–	2,796	–
Other comprehensive income, net of tax	–	–	–866	92
Total comprehensive income	**–**	**–**	**1,930**	**92**
Disposal of equity instruments	–	–	–	–
Capital increases/ decreases	–	1,273	–	–
Profit transfer and dividends payment	–	–	–1,798	–
Capital transactions involving a change in ownership interest	–	–	–17	–
Other changes	–	–	–	–
Balance at Dec. 31, 2019	**45**	**12,726**	**4,991**	**167**

Other reserves					
Hedging					
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Non-controlling interests	Total equity
804	–	3	0	–0	15,200
27	46	–3	–	0	–7
831	46	–	0	0	15,193
–	–	–	–	5	3,118
–518	–337	–	0	0	–753
–518	–337	–	0	5	2,365
–	–	–	–	–	–
–	–	–	–	–	1,208
–	–	–	–	–	–2,290
–	–	–	–	1	1
313	**–291**	**–**	**0**	**6**	**16,477**
313	**–291**	**–**	**0**	**6**	**16,477**
–	–	–	–	5	2,801
–332	–196	–	0	0	–1,302
–332	**–196**	**–**	**0**	**5**	**1,499**
–	–	–	–	–	–
–	–	–	–	–	1,273
–	–	–	–	–4	–1,802
–	–	–	–	–2	–19
–	–	–	–	–	–
–19	**–487**	**–**	**0**	**5**	**17,428**

Equity is explained in note **[24]**.

Notes of the Consolidated Financial Statements

of Porsche AG as of December 31, 2019

BASIS OF PRESENTATION

Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG") is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. Porsche AG's subscribed capital is held in full by Porsche Holding Stuttgart GmbH, Stuttgart, and a control and profit and loss transfer agreement is in place between the two entities. Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH are included in the consolidated financial statements of Volkswagen AG which are filed with the *elektronische Bundesanzeiger* (German Electronic Federal Gazette). The business purpose of Porsche AG and its subsidiaries ("Porsche AG group") is to manufacture and sell vehicles and engines of all kinds as well as other parts and components for such and other technical products. In addition, the business purpose includes performing development work and design engineering, including but not limited to vehicle and engine construction; consulting in the fields of development and manufacturing, including but not limited to vehicle and engine construction; consulting and development in the field of data processing as well as the production and distribution of data-processing products; marketing of merchandise and exploitation of brand rights, including but not limited to those containing the word "Porsche"; as well as all other activities that are technically or economically related, including the exploitation of intellectual property rights. Another of the group's business areas are financial services. This includes financing and leasing services for customers and dealers.

Volkswagen AG holds 100% of the share capital of Porsche Holding Stuttgart GmbH and is thus the ultimate parent company of the Porsche AG group. A control and profit and loss transfer agreement has been in place between Volkswagen AG and Porsche Holding Stuttgart GmbH since fiscal year 2013.

The voluntary consolidated financial statements of Porsche AG as of December 31, 2019 are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The standards published by the International Accounting Standards Board (IASB), London, that are applicable as of the reporting date as well as the interpretations issued by the IFRS Interpretations Committee (IFRS IC) that are valid for the reporting period are taken into account. The requirements of the standards and interpretations applied were satisfied in full.

The reporting period of the Porsche AG group (Porsche AG and its subsidiaries) covers the period from January 1, 2019 to December 31, 2019 and thus corresponds to the 12-month fiscal year of the legal parent company Porsche AG and of the ultimate parent company Volkswagen AG.

The group's presentation currency is the euro. Unless otherwise stated, all figures in the notes are presented in millions of euros (€ million). All amounts are rounded in line with common business practice; this can lead to minor differences in total amounts.

The accounting policies were generally the same as those applied in the prior year. The only changes were those necessitated by new or amended standards and in the composition of the cash-generating units (see the section entitled "Accounting policies").

The income statement has been prepared using the function of expense method, as is common international practice.

Preparing the consolidated financial statements in accordance with the above standards requires assumptions to be made regarding some items, which affect the amounts recognized in the consolidated statement of financial position or consolidated income statement and the disclosure of contingent assets and contingent liabilities. The consolidated financial statements give a true and fair view of the net assets, financial position and results of operations and the cash flows of the group.

The Executive Board prepared the consolidated financial statements of Porsche AG on February 10, 2020, and authorized their issue to the Supervisory Board. The period subsequent to the reporting date for which adjusting events can be disclosed ends on that date.

BASIS OF CONSOLIDATION

In addition to Porsche AG, the consolidated financial statements include all material German and foreign subsidiaries, including structured entities, that are controlled directly or indirectly by Porsche AG. Control exists if Porsche AG has power over the potential subsidiary, directly or indirectly, as a result of voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and is able to affect those returns. There are no significant restrictions.

The main purpose of the structured entities is to facilitate asset-backed securities transactions for the purpose of refinancing the financial services business and to invest financial resources in special securities funds. Subsidiaries are included in the consolidated financial statements from the date on which control is gained; they are deconsolidated when control no longer exists.

Subsidiaries that are dormant or have only negligible business activities, and unconsolidated structured entities that are not material, individually and in aggregate, for the purpose of giving a true and fair view of the net assets, financial position and results of operations, as well as the cash flows of the Porsche AG group, are not consolidated. They are carried in the consolidated financial statements at cost less any write-downs and reversals of write-downs required to be recognized.

Material companies where Porsche AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or where Porsche AG has joint control, directly or indirectly, together with another party (joint ventures), are accounted for at equity. Associates and joint ventures of immaterial importance are recognized at their respective acquisition costs or lower fair values.

The composition of the Porsche AG group is shown in the table below:

	2019	2018
Parent company and consolidated subsidiaries including special security funds[1)]		
Germany	**27**	27
Other countries	**83**	83
	110	110
Subsidiaries carried at cost		
Germany	**10**	7
Other countries	**28**	27
	38	34
Associates, joint ventures and other equity investments		
Germany	**12**	9
Other countries	**12**	9
	24	18
	172	**162**

1) The prior-year figures were restated with respect to the number of fully consolidated subsidiaries.

The foreign companies PILOT 2019-A LLC, Atlanta/GA and PVOLT LLC, Atlanta/GA were consolidated for the first time in the reporting period. The foreign companies Porsacentre S.L., Barcelona, and Porsche Innovative Lease Owner Trust 2015-1, Atlanta/GA, were deconsolidated in the reporting period.

The initial consolidation of two foreign companies and the deconsolidation of two foreign companies means that the number of consolidated companies remains unchanged. Individually and in aggregate, the changes in the consolidated group did not have any material impact on the presentation of the group's situation.

The associate Bertrandt is an engineering partner of companies in the automotive and aviation industries. Its activities range from the development of individual components to complex modules and complete solutions. Bertrandt's main branch is in Ehningen.

As of December 31, 2019, the quoted value of the shares in Bertrandt amounted to €165 million (prior year: €201 million).

IONITY Holding GmbH & Co. KG is developing and marketing a network of fast-charging stations for electric vehicles in Europe. This is a joint venture in which Porsche, Daimler, BMW and Ford each hold a 25% interest. It is included in the consolidated financial statements using the equity method. IONITY Holding GmbH & Co. KG has its headquarters in Munich. The contribution was increased by a further €20 million in fiscal year 2019 (prior year: €31 million).

From the perspective of the Porsche AG group, its associate Bertrandt AG, Ehningen, and joint venture Ionity Holding GmbH & Co. KG, Munich, are material at the balance sheet date.

Summarized financial information relating to the material associates on a 100% basis:

€ million	Bertrandt[1]
2019	
Shareholding (in %)	29
Non-current assets	575
Current assets	468
Non-current liabilities	313
Current liabilities	153
Net assets	577
Sales revenue	1,058
Profit/loss from continuing operations after tax	16
Profit/loss from discontinued operations after tax	–
Other comprehensive income	– 1
Total comprehensive income	15
Dividends received	6
2018	
Shareholding (in %)	29
Non-current assets	586
Current assets	469
Non-current liabilities	306
Current liabilities	167
Net assets	582
Sales revenue	1,020
Profit/loss from continuing operations after tax	25
Profit/loss from discontinued operations after tax	–
Other comprehensive income	0
Total comprehensive income	25
Dividends received	7

[1] The disclosures for Bertrandt's statement of financial position relate to the September 30, 2019 reporting date; the income statement disclosures for fiscal year 2019 relate to the period from October 1, 2018 to September 30, 2019, and those for fiscal year 2018 to the period from October 1, 2017 to September 30, 2018.

Reconciliation of the financial information to the carrying amount of the investment:

€ million	Bertrandt
2019	
Net assets as of Jan. 1	583
Profit/loss	16
Other comprehensive income	– 1
Change in reserves	–
Foreign exchange differences	
Dividend	– 21
Net assets as of Dec. 31	577
Attributable share of net assets	167
Consolidation/goodwill/other	80
Carrying amount of the investment	247
2018	
Net assets as of Jan. 1	583
Profit/loss	25
Other comprehensive income	0
Change in reserves	–
Foreign exchange differences	–
Dividend	– 25
Net assets as of Dec. 31	583
Attributable share of net assets	168
Consolidation/goodwill/other	163
Carrying amount of the investment	331

There are no contingent liabilities to associates.

Summarized financial information relating to the material joint ventures on a 100% basis:

€ million	IONITY
2019	
Shareholding (in %)	25
Non-current assets	175
Current assets	71
thereof cash, cash equivalents and time deposits	50
Non-current liabilities	10
thereof financial liabilities	0
Current liabilities	30
thereof financial liabilities	–
Net assets	205
Sales revenue	1
Amortization and depreciation	–
Interest income	–
Interest expenses	– 1
Profit/loss before tax from continuing operations	– 29
Income tax expense	5
Profit/loss from continuing operations after tax	– 24
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 24
Dividends received	–
2018	
Shareholding (in %)	25
Non-current assets	47
Current assets	110
thereof cash, cash equivalents and time deposits	102
Non-current liabilities	3
thereof financial liabilities	0
Current liabilities	6
thereof financial liabilities	–
Net assets	148
Sales revenue	0
Amortization and depreciation	–
Interest income	0
Interest expenses	0
Profit/loss before tax from continuing operations	– 18
Income tax expense	3
Profit/loss from continuing operations after tax	– 15
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 15
Dividends received	–

Reconciliation of the financial information to the carrying amount of the investment:

€ million	IONITY
2019	
Net assets as of Jan. 1	148
Profit/loss	– 24
Other comprehensive income	–
Change in reserves	81
Foreign exchange differences	–
Dividend	–
Net assets as of Dec. 31	205
Attributable share of net assets	51
Consolidation/goodwill/other	–
Carrying amount of the investment	51
2018	
Net assets as of Jan. 1	40
Profit/loss	– 15
Other comprehensive income	–
Change in reserves	123
Foreign exchange differences	–
Dividend	–
Net assets as of Dec. 31	148
Attributable share of net assets	37
Consolidation/goodwill/other	–
Carrying amount of the investment	37

There are no contingent liabilities to joint ventures.

CONSOLIDATION PRINCIPLES

The financial statements of the subsidiaries are prepared as of the reporting date of the consolidated financial statements, which is the reporting date of the parent company.

Business combinations are accounted for by applying the acquisition method pursuant to IFRS 3 (rev. 2008).

BUSINESS COMBINATIONS AND DECONSOLIDATIONS

The cost of a business acquisition is measured in accordance with IFRS 3 (rev. 2008) as the aggregate of the consideration transferred at fair value as of the acquisition date and the non-controlling interests in the entity. The non-controlling interests can be measured either at fair value or at the proportionate share of the acquiree's identifiable net assets, but excluding goodwill. Acquisition-related costs that are not equity transaction costs are expensed and therefore do not constitute a component of cost. Contingent consideration is measured at its fair value at the date of acquisition. The measurement of contingent consideration at the date of acquisition is not generally adjusted to reflect subsequent changes in value.

When subsidiaries are initially consolidated, the identifiable assets and liabilities acquired are measured at their fair value at the date of acquisition. The amounts recognized are amortized in subsequent periods.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the gain or loss resulting from remeasurement recognized in profit or loss.

Where the cost of a business combination exceeds the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the excess is recognized as goodwill. The goodwill is tested for impairment at least once annually. If the goodwill is impaired, an impairment loss is recognized. If there is no impairment, the amount at which goodwill is recognized remains unchanged from the previous year. Where the cost of a business combination is less than the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the difference is recognized in the income statement after reassessing the fair values.

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized within equity.

The consolidation process involves adjusting the items resulting from the independent accounting and measurement of the individual companies and presenting them as if they were those of a single economic entity. Intragroup assets, liabilities, equity, expenses, income and cash flows are eliminated in full. Group inventories and fixed assets are adjusted for intercompany profits or losses. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes relate to the same tax authority and the same period. In addition, guarantees and warranties assumed by the parent company or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

In the event that control is lost and the parent company continues to hold shares in the previous subsidiary, such shares are measured at fair value on the date of loss of control.

When deconsolidating the previous subsidiary, the difference between the consideration received and the net assets disposed of at the date when control is lost (including any goodwill from acquisition accounting) is recognized in profit or loss. Income and expenses recognized directly in the previous subsidiary's equity for foreign currency effects, securities held for sale, cash flow hedges and equity-accounted investments of the previous subsidiary are derecognized through profit or loss at the date when control is lost. However, any revaluation reserve recognized in accordance with IFRS 3 (rev. 2008) is not derecognized through profit or loss at that date but transferred to retained earnings within equity.

CURRENCY TRANSLATION

Foreign currency items in the financial statements of the entities included in the consolidated financial statements are measured at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the middle rate as of each reporting date. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined. Exchange rate gains and losses as of the reporting date are recorded in profit or loss.

The financial statements of consolidated subsidiaries prepared in a foreign currency are translated into euros in accordance with IAS 21 using the functional currency concept. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

Assets, liabilities and contingent liabilities are translated at the closing rate as of the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated using weighted average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly in equity until the disposal of the subsidiary. To the extent the separate item is attributable to the parent company it is reclassified to profit or loss upon disposal.

Goodwill and adjustments to recognize assets and liabilities arising from business combinations at their fair value are expressed in the functional currency of the subsidiary.

The following key exchange rates were used for currency translation in the consolidated financial statements:

		Closing rate		**Average rate**	
		Dec. 31, 2019	**Dec. 31, 2018**	**2019**	**2018**
Australia	AUD	**1.6008**	1.6224	**1.6107**	1.5802
Brazil	BRL	**4.5135**	4.4449	**4.4149**	4.3073
China	CNY	**7.8147**	7.8773	**7.7344**	7.8077
United Kingdom	GBP	**0.8500**	0.8969	**0.8774**	0.8848
Hong Kong	HKD	**8.7428**	8.9694	**8.7733**	9.2606
Japan	JPY	**121.8950**	125.9100	**122.0865**	130.4016
Canada	CAD	**1.4621**	1.5593	**1.4860**	1.5303
Republic of Korea	KRW	**1,296.3500**	1,276.9000	**1,304.8927**	1,299.4138
Russia	RUB	**69.8469**	79.8377	**72.4671**	74.0821
Switzerland	CHF	**1.0855**	1.1264	**1.1128**	1.1549
USA	USD	**1.1228**	1.1453	**1.1197**	1.1816

ACCOUNTING POLICIES

The assets and liabilities of Porsche AG and the consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche AG group. The same accounting policies are used in the case of investments accounted for using the equity method for the purpose of determining the attributable share of the net assets. The determination is based on the most recent audited annual financial statements of the respective company. The comparative information is based in principle on the same accounting policies applied for the reporting period for fiscal year 2019. The only changes were those necessitated by new or amended standards and in the composition of the cash-generating units. Where changes were made, the effect is explained in the relevant notes.

With the exception of certain items such as financial instruments measured at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared using the historical cost principle. The methods used to measure the individual items are presented in more detail below.

INTANGIBLE ASSETS

Intangible assets not acquired in a business combination are initially recognized at cost in accordance with IAS 38 plus costs directly attributable to the acquisition. The cost of intangible assets acquired as part of a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Purchased intangible assets with a finite useful life are amortized on a straight-line basis over their useful life, taking any impairments into account. Useful lives range from three to five years. Useful lives, residual values and methods of amortization are reviewed, and adjusted if appropriate, at least at the end of the reporting year. If adjustments are made, these are accounted for as changes in estimates.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are not amortized. Each individual asset or cash-generating unit is tested at least once a year for impairment. If the goodwill is impaired, an impairment loss is recognized. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite life assessment continues to be supportable. If this is no longer the case, the change in the useful life assessment from indefinite to finite is made prospectively.

Development costs are recognized for products provided that expenditures can be clearly allocated and all other recognition criteria of IAS 38 are met. The capitalized development costs include all costs and overhead expenditure directly attributable to the development process incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of production using the straight-line method over the expected useful life of the product, taking any impairments into account. This is usually six years. Research and non-capitalizable development costs are expensed as incurred.

We allocated the amortization charge for the fiscal year to the corresponding functions.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost plus costs directly attributable to the acquisition less accumulated depreciation over the useful life of the asset and any accumulated impairment losses. The cost of items of property, plant and equipment acquired as part of a business combination is the fair value as of the date of acquisition. Self-constructed items of property, plant and equipment are recognized at the cost of production. The cost of production is determined on the basis of the directly attributable costs and a proportionate share of production-related overheads. Costs for repairs and maintenance are recognized as an expense. Special equipment is reported under other equipment, furniture and fixtures.

Depreciation, which is generally charged on a straight-line basis, reflects the pattern of the assets' expected future economic benefit to the company. Higher depreciation rates are applied for equipment used in shift operations.

Depreciation is based on the following useful lives:

	Years
Office and factory buildings	9 to 40
Technical equipment and machinery	7 to 20
Other equipment, furniture and fixtures	3 to 13

Residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Government grants are generally deducted from the cost of the subsidized assets.

LEASES

Until December 31, 2018, the Porsche AG group accounted for leases in accordance with IAS 17. A lease was defined as an agreement whereby the lessor conveyed to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The accounting treatment of leases by the lessee and lessor was based on allocation of the risk and rewards incidental to ownership of the leased asset.

If the risks and rewards incidental to ownership lay with the Porsche AG group as lessee, the respective leased assets were recognized at fair value or (if lower) at the present value of the minimum lease payments, and amortized/depreciated using the straight-line method over the useful life of the asset or (if shorter) over the term of the lease. The payment obligations arising from future lease payments were discounted and recognized as a liability.

Where Porsche AG group companies were lessees under operating leases, i.e., where not substantially all of the risks and rewards incidental to ownership had been transferred, lease or rental payments were recognized directly in profit or loss as expenses.

Since January 1, 2019, the Porsche AG group has accounted for leases in accordance with IFRS 16. This defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Where the Porsche AG group is lessee, it generally recognizes a right-of-use asset and a lease liability in the statement of financial position for all leases. The lease liability is measured in the amount of the outstanding lease payments discounted using the incremental borrowing rate, while the right-of-use asset is generally measured in the amount of the lease liability plus initial direct costs.

The right-of-use asset is generally depreciated on a straight-line basis over the lease term. The lease liability is adjusted using the effective interest method and taking the lease payments into account.

The right-of-use assets recognized in the statement of financial position are reported in those items that the assets underlying the lease would be reported in if they were owned by the Porsche AG group. The right-of-use assets were therefore reported under non-current assets as of the reporting date, primarily as property, plant and equipment.

There are recognition exemptions for short-term leases and leases of low-value assets. The Porsche AG group takes advantage of these and consequently does not recognize right-of-use assets or lease liabilities for such leases. The associated lease payments are recognized directly in profit or loss as an expense. Leases of low-value assets are those where the value of the leased asset does not exceed €5,000 when new. Furthermore, the accounting requirements of IFRS 16 are not applied to leases of intangible assets.

Many leases contain extension and termination options. In determining the lease term, all relevant facts and circumstances are taken into consideration that create an economic incentive to exercise, or not to exercise, the option. Optional periods are taken into account in determining the lease term if it is reasonably certain that the option will be exercised.

LEASED ASSETS

The accounting treatment of leases in which the Group serves as the lessor is based on a classification as operating leases and finance leases. The classification is based on allocation of the risks and rewards incidental to ownership of the leased asset.

In the case of operating leases, substantially all of the risks and rewards remain with the Porsche AG group. The leased asset is recognized at amortized cost in the fixed assets of the Porsche AG group and the lease payments received in the period are recognized as income in profit or loss.

Vehicles leased out under operating leases are recognized at cost and depreciated on a straight-line basis to their calculated residual value over the term of the lease. Write-downs are recognized for any impairment identified as part of the impairment testing carried out in accordance with IAS 36. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

In the case of finance leases, substantially all of the risks and rewards incidental to ownership are transferred to the lessee. The Porsche AG group derecognizes the leased asset from its fixed assets and instead recognizes a receivable in the amount of its net investment in the lease.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs for qualifying assets are recognized as part of the cost of the asset. A qualifying asset is an asset that necessarily takes one year or more to get ready for its intended use or sale.

EQUITY-ACCOUNTED INVESTMENTS

The cost of equity-accounted investments is adjusted in accordance with the share of the increases and decreases in the net assets of the associates and joint ventures arising after acquisition attributable to the Porsche AG group, including any effects from purchase price allocation. In addition, an impairment test is carried out where there are indications of impairment and, if appropriate, a write-down to the lower recoverable amount is recognized. The recoverable amount is determined using the method presented for impairment testing. If the reason for the write-down no longer exists at a later date, the impairment loss is reversed, but only to the extent that the resulting carrying amount of the asset does not exceed the amount that would have applied if the write-down had not been recognized. The calculation of the value in use for the purposes of the impairment test is based on a cost of capital of 4.5% (prior year: 5.1%).

IMPAIRMENT TESTING

At the end of each reporting period, the group assesses whether there is any indication of impairment. An impairment test is performed at least once a year for goodwill, capitalized costs for intangible assets (in particular, where development costs are recognized for products under development) and intangible assets with an indefinite useful life. For intangible assets with finite useful lives, property, plant and equipment as well as leased assets an impairment test is performed only when there is an indication that the asset may be impaired.

The recoverable amount is determined in the course of impairment testing. The recoverable amount is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

To determine whether goodwill is impaired, the fully consolidated entities concerned are used as a cash-generating unit. In the case of other intangible assets and property, plant and equipment, to date the product or model series were generally used to determine the cash-generating units. It was necessary to redefine this approach for the automotive division in the past fiscal year, since it is no longer given that the returns on individual products are largely independent of each other. Specifically, more stringent global emissions regulations mean that the returns on individual products are increasingly interrelated. As a consequence of the changed circumstances, the Porsche brand has generally constituted the cash-generating unit in the automotive division since fiscal year 2019. As such, it forms the basis for impairment testing and the economic assessment carried out on recognition of internally generated intangible assets. The change to the composition of the cash-generating units had no effects within the Porsche AG group in the fiscal year. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference.

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are the incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. Value in use is determined using the discounted cash flow method or capitalized earnings method on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal.

To determine whether goodwill or other intangible assets and items of property, plant and equipment are impaired, the group uses the value in use.

Value in use for other intangible assets and items of property, plant and equipment is determined based on a current forecast prepared by management including material assumptions about growth and the volume of unit sales. The planning period generally extends over five years. Plausible assumptions about future developments are made for subsequent years. The planning assumptions are adjusted to reflect the current information available. The recoverable amount of goodwill is determined based on current planning as well as reasonable assumptions about macroeconomic trends (currency, interest rate and commodity price trends) as well as historical developments. When determining the cash flows, an anticipated growth rate of 1.0% is used as a basis. The growth rate is based on the circumstances specific to the industry and takes into account the specific price and cost situation. In the case of assets that are not yet available for use, impairment testing is carried out upon initial recognition and subsequently once per year on the basis of the current business plan. Assets already in use are only tested for impairment if there is a triggering event. When determining the value in use for the impairment test of goodwill, other intangible assets and property, plant and equipment, a market-oriented discount rate for similar risks is used (if the capitalized earnings method is used, a post-tax cost of equity of 6.9% is applied for goodwill (prior year: 6.8%)) and a weighted average cost of capital (WACC) of 4.8% (prior year: 5.5%) is used for other intangible assets and property plant and equipment if the discounted cash flow method is used. The determination of the cost of capital rates is based on a rate of interest for risk-free investments. Specific peer group information for beta factors, degree of indebtedness and the cost of debt are also taken into account, in addition to a risk premium. Changes in the degree of indebtedness due to the first-time application of IFRS 16 are taken into appropriate consideration. The composition of the peer groups used to determine beta factors is reviewed on an ongoing basis and modified when necessary. Even if no growth were assumed for the purposes of the perpetual annuity or if the sales volume on which the perpetual annuity is based were reduced by 10%, that would not result in an impairment of the goodwill and of the other intangible assets or property, plant and equipment.

Any impairment of leased assets from vehicle leasing contracts, determined by impairment testing in accordance with IAS 36, is reflected in impairment write-downs and adjusted rates of depreciation. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

The functions recognize an impairment loss in the income statement in the item "amortization of intangible assets and depreciation of property, plant and equipment and leased assets" if the recoverable amount of the asset is lower than its carrying amount.

A review of whether the reasons for a previously recognized impairment loss still exist is carried out on an annual basis. If the reasons for impairment losses recognized in prior years no longer exist, the write-downs are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot result in a carrying amount that exceeds the amount that would have been determined as the carrying amount, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

INVENTORIES

Inventories include raw materials, consumables and supplies, as well as work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value as of the reporting date.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to directly attributable costs, the costs of conversion of the internally produced goods include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated distribution expenses.

If the carrying amounts are no longer realizable due to a decrease in prices in the sales market, inventories are written down accordingly.

Inventories of a similar nature are generally measured using the weighted average cost method.

LONG-TERM CONSTRUCTION CONTRACTS

Future receivables from long-term construction contracts are recognized according to their percentage of completion. The percentage of completion to be recognized per contract is calculated by comparing the accumulated costs with the total costs expected (cost-to-cost method). Contract costs incurred are often the best way to measure the stage of completion of the performance obligation. If the result of a construction contract cannot be determined reliably, income is only recognized at the amount of the contract costs incurred (zero profit method). If the total of accumulated contract costs and reported profits exceeds advance payments received, the construction contracts are recognized as an asset under other receivables as future receivables from long-term development contracts. Any negative balance is reported under other payables. The principle of measuring assets at the lower of carrying amount and net realizable value is observed.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset at one entity and a financial liability or equity instrument at another entity. Regular way purchases or sales of financial instruments are accounted for at the settlement date, i.e., the date on which the asset is delivered.

Financial assets are classified and measured on the basis of the entity's business model and the characteristics of the financial asset's cash flows.

Under IFRS 9, financial assets are allocated to the following categories:

- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income (debt instruments),
- financial assets measured at fair value through other comprehensive income (equity instruments), and
- financial assets measured at amortized cost.

Financial liabilities are allocated to the following categories:

- financial liabilities measured at fair value through profit or loss, and
- financial liabilities measured at amortized cost.

In the Porsche AG group, the categories presented above are allocated to the "at amortized cost" and "at fair value" classes.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

"Financial assets measured at amortized cost" are held under a business model whose objective is to collect contractual cash flows ("hold" business model). These assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The amortized cost of a financial asset or liability is the amount:

- at which the financial asset or liability is measured at initial recognition,
- less any repayments of principal,
- taking into account any loss allowances, write-downs for impairment or uncollectibility relating to financial assets, and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity (premium, discount), amortized using the effective interest method over the term of the financial asset or liability.

Financial liabilities measured at amortized cost using the effective interest method relate to liabilities to banks, bonds, commercial paper and notes, loans and other liabilities. Gains or losses resulting from changes in amortized cost, including the effects of changes in exchange rates, are recognized through profit or loss. For reasons of materiality, discounting or unwinding of discounts is not applied to current liabilities (due within one year).

Financial assets and liabilities measured at amortized cost are

- receivables from the financial services business,
- trade receivables and payables,
- other receivables and financial assets and liabilities,
- financial liabilities,
- cash, cash equivalents and time deposits.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Changes in the carrying amount of "financial assets measured at fair value" are recognized either in OCI or through profit or loss.

Financial assets that are equity instruments are measured at fair value. Here the Porsche AG group exercises the option to present subsequent fair value changes in other comprehensive income only, i.e., gains and losses from the measurement of equity investments are never reclassified to the income statement and instead are reclassified to retained earnings on disposal (no recycling). The only exceptions are interests in companies that are not material to the consolidated financial statements and in those that do not conduct business operations. Reasonable fair values that are free from major fluctuations cannot reliably be ascertained for such interests without undue cost or effort. They are measured at cost. If there are indications of impairment, they are remeasured at the lower present value of the estimated future cash flows.

All financial assets not measured either "at amortized cost" or "at fair value through other comprehensive income" are allocated to the "at fair value through profit or loss" category. "Financial assets measured at fair value through profit or loss" are held in particular to generate cash flows by selling financial instruments ("sell" business model).

In the Porsche AG group, this category mainly comprises

- hedges not included in hedge accounting,
- investment fund units.

"Financial liabilities measured at fair value through profit or loss" relate solely to derivatives not included in hedge accounting.

Fair value generally corresponds to the market or quoted market price (level 1). If no active market exists, the fair value is determined where possible using other observable inputs (level 2). If no observable inputs are available, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models and – as far as possible – is verified by confirmations from the banks that settle the transactions (level 3).

For current receivables and payables, amortized cost generally corresponds to the nominal amount or repayment amount.

The Porsche AG group does not exercise the fair value option for financial assets and liabilities.

Financial assets and financial liabilities are generally presented at their gross amounts. They are only offset if the Porsche AG group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis.

Subsidiaries, associates and joint ventures that for reasons of materiality are not consolidated do not fall within the scope of IFRS 9 and IFRS 7.

DERIVATIVES AND HEDGE ACCOUNTING

Porsche AG group companies use derivatives to hedge future cash flows (hedged items). Appropriate derivatives such as swaps, forward transactions and options are used as hedging instruments. The criteria for applying hedge accounting are that the clear hedging relationship between the hedged item and the hedging instrument is documented and that the hedge is proven to be effective.

When hedging future cash flows, the hedging instrument is measured at fair value. The designated effective portion of the hedging instrument is recognized in OCI I and the non-designated effective portion of the hedging instrument in OCI II. They are only recognized in profit or loss when the hedged item is recognized. The ineffective portion of a cash flow hedge is immediately recognized in profit or loss.

Those derivatives that the Porsche AG group uses for financial management purposes to hedge against interest rate or currency risks that do not meet the strict hedge accounting criteria of IFRS 9 are classified as "financial assets and liabilities at fair value through profit or loss". This also applies to options on shares. As a general rule, external hedging instruments of intragroup hedged items that are subsequently eliminated in the consolidated financial statements are likewise assigned to this category. "Assets and liabilities measured at fair value through profit or loss" comprise derivatives or components of derivatives that are not included in hedge accounting. For example, these relate to non-designated interest rate hedges.

RECEIVABLES FROM FINANCE LEASES

Where a group company is a lessor – generally of vehicles – a receivable in the amount of the net investment in the lease is recognized in the case of finance leases, i.e., where substantially all the risks and rewards incidental to ownership are transferred to the lessee.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

Financial assets are exposed to default risk, which is taken into account by recognizing loss allowances or, if losses have already been incurred, by recognizing impairment losses. Specific and portfolio-based loss allowances are recognized for the risk of default inherent in receivables and loans in the financial services business.

In particular, in accordance with group-wide standards, a loss allowance is recognized on these financial assets in the amount of the expected loss. The actual specific loss allowances for the losses incurred are then recognized in this loss allowance. A potential impairment is assumed not only for delayed payments over a certain period of time, the institution of enforcement measures, the threat of insolvency or over-indebtedness, application for or the opening of insolvency proceedings or the failure of financial reorganization measures, but also for receivables that are not past due.

Portfolio-based loss allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk characteristics and allocating them by risk class. Average historical probabilities of default are used in combination with forward-looking parameters for the respective portfolio to calculate the amount of the impairment loss.

Credit risks must be considered for all financial assets measured at amortized cost or at fair value through other comprehensive income (debt instruments), as well as for contract assets under IFRS 15 and lease receivables under IFRS 16. The impairment requirements also apply to risks arising from irrevocable credit commitments and to the measurement of financial guarantees.

Impairment losses on receivables outside of the financial services division are generally accounted for by means of a simplified process that takes historical default rates into account, and by means of specific loss allowances.

CASH, CASH EQUIVALENTS AND TIME DEPOSITS

The cash and cash equivalents include checks, cash on hand, bank balances, balances with affiliated companies and time deposits.

DEFERRED TAXES

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated statement of financial position as well as on unused tax loss carryforwards and tax credits if it is probable that they will be used. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and the carrying amounts in the consolidated statement of financial position (temporary concept).

Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Valuation allowances are recognized on deferred tax assets that are unlikely to be realized in a reasonable period of time.

The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income over a planning horizon of five fiscal years. A previously unrecognized deferred tax asset is reassessed on an annual basis and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The amounts recognized reflect the anticipated tax expense or credit in subsequent fiscal years based on the tax rate expected to apply at the date of realization. The tax consequences of profit distributions are not generally taken into consideration until the resolution on appropriation of net profit has been adopted.

Deferred tax assets and liabilities are offset if the taxes are levied by the same taxation authority, relate to the same taxation period, and there is a legally enforceable right to set off the recognized amounts.

Deferred taxes relating to items recognized directly in equity are also recorded in equity.

CURRENT TAXES

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. Tax items are calculated on the basis of the tax rates and tax laws in force at the reporting date. Provisions are recognized for potential obligations in respect of tax assessments that have not yet been finally reviewed by the tax authorities. Any identified tax uncertainty is measured on the basis of the most likely value to be recognized to reflect the risk, should it materialize.

Current taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

SHARE-BASED PAYMENT

Share-based payment comprises performance shares. The obligations under share-based payment are accounted for as cash-settled plans pursuant to IFRS 2. Until maturity, the cash-settled plans are measured at fair value using a recognized valuation technique. The payment expense is allocated over the vesting period.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

In accordance with IAS 19 (Employee Benefits), the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method takes into account not only the pension payments and the future claims known on the reporting date but also future anticipated increases in salaries and pensions, as well as expected staff turnover based on past experience.

If pension obligations are funded by plan assets the obligations and the assets are offset.

Remeasurements from pension plans are recognized directly in other comprehensive income in a separate item of equity taking deferred taxes into account. The service cost is reported in personnel expenses, while the net interest expense/income from unwinding the discount on the provision as well as from the return on plan assets is recognized in interest expenses.

The calculation is based on actuarial opinions taking into account biometric assumptions. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds at the reporting date.

OTHER PROVISIONS

Other provisions are recognized in accordance with IAS 37 if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably.

Provisions are generally measured at the expected settlement amount taking into account all identifiable risks. The settlement amount is calculated on the basis of the best possible estimate. The settlement amount also includes the expected cost increases. Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern. Non-current provisions are stated at their settlement amount discounted to the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of when the outflow of resources is due. In the eurozone, an average rate of -0.10% (prior year: 0.20%) is used. The interest expense resulting from unwinding the discount is presented in interest expenses.

Provisions are not offset against reimbursement claims from third parties. Reimbursement claims are recognized separately in other assets if it is virtually certain that the group will receive the reimbursement when it settles the obligation.

Accruals are not presented as provisions, but under trade payables or other liabilities, based on their nature.

As part of the insurance business, the reinsured used vehicle warranty insurance contracts are accounted for pursuant to the provisions of IFRS 4. Reinsurance acceptances are recognized without delay in the year in which they arise. Provisions are recognized in principle in accordance with the contractual responsibilities of the cedants. Provisions for claims are determined using estimation techniques based on assumptions about the further development of claims. Claims are generally settled within a period of three months.

LIABILITIES

Non-current liabilities are carried at amortized cost in the statement of financial position. Differences between their historical cost and their repayment amount are accounted for using the effective interest method.

Liabilities to members of partnerships from puttable shares are recognized in the income statement at the present value of the redemption amount at the balance sheet date.

Lease liabilities are measured at the present value of the lease payments.

Current liabilities are recognized at their repayment or settlement value.

REVENUE AND EXPENSES

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from the sale of products is generally not recognized until the point in time when the service is provided or the significant opportunities and risks associated with ownership of the goods and products being sold are transferred to the buyer. Revenue is reported net of discounts, customer bonuses and rebates.

Sales allowances and other variable consideration is measured on the basis of experience and by taking into account the respective current circumstances. Vehicles are normally sold on payment terms. A trade receivable is recognized for the period between vehicle delivery and receipt of payment. Financing components included therein are only accrued if the period between the transfer of the goods and the payment of consideration is longer than one year and the amount to be accrued is material.

Revenue from receivables from financial services is recognized using the effective interest method. Income from operating leases is recorded on a straight-line basis over the term of the agreement.

Revenue from long-term construction contracts is recognized in accordance with the percentage of completion method.

If a contract comprises several separately identifiable components (multiple-element arrangements), these components are recognized separately in accordance with the principles outlined above. If services are sold to the customer together with the vehicle and the customer pays for them in advance, the group recognizes a corresponding contract liability until the services have been rendered. Examples of services that customers pay for in advance include servicing, maintenance and certain guarantee contracts, as well as mobile online services.

Sales revenue from extended warranties or maintenance agreements is recognized when deliveries take place or services are rendered. In the case of prepayments, deferred income is recognized proportionately by reference to the costs expected to be incurred, based on experience. Revenue is recognized on a straight-line basis if there is insufficient experience. If the expected costs exceed the accrued sales revenue, a loss is recognized from these agreements.

For extended warranties granted to customers for a specific model, a provision is generally recognized in the same way as for statutory warranties. If the warranty is optional for the customer or contains an additional service component, the revenue is deferred and recognized over the warranty term.

Income from assets for which a group entity has a buy-back obligation is not recognized until the assets have finally left the group. If a fixed repurchase price was agreed when the contract was concluded, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Until the end of the contract term, the assets are reported in inventories in case of current contract end dates and in leased assets in the case of non-current contract end dates.

Sales revenue is generally measured at the price determined in the contract. If variable consideration (e.g., volume-based bonuses) has been agreed in a contract, the large number of contracts means that revenue is generally estimated using the expected value method. The most probable amount method may also be used in exceptional cases. Once the expected sales revenue has been estimated, an additional check is performed to determine whether there are uncertainties that would make it necessary to reduce the revenue initially recognized in order to effectively rule out the risk of subsequently adjusting that revenue downwards. Provisions for reimbursements mainly result from dealer bonuses. In the case of multiple-element arrangements, the transaction price is allocated to the various performance obligations under the contract on the basis of the relative standalone selling prices. For reasons of materiality, the Porsche AG group generally recognizes non-vehicle-related services at their standalone selling price.

Revenue is generally recorded separately for each business transaction. If two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the criteria for revenue recognition are applied to these transactions as a whole. If, for example, loan or lease agreements in the financial services division are entered into at below market interest rates to promote sales of new vehicles, revenue is reduced by the incentive arising from the agreement.

In the case of financial instruments measured at amortized cost, interest income and expenses are determined using the effective interest rate.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for development costs not eligible for recognition as part of the cost of an asset.

Provisions for warranty claims are recognized upon sale of the related products.

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the cost of additions to warranty provisions. Research and development costs not eligible for capitalization and amortization of development costs are likewise carried under cost of sales. Interest and commission expenses incurred in connection with the financial services business are also reported in cost of sales.

Dividend income is recognized when the group's right to receive the payment is established.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. A contingent liability may also be a present obligation that arises from past events but is not recognized because an outflow of resources is improbable or the amount of the obligation cannot be measured with sufficient reliability.

GOVERNMENT GRANTS

Government grants for assets are deducted from the carrying amount of the asset when it is determined and recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. Government grants that compensate group companies for expenses incurred are recognized in profit or loss in the period and in the items where the expenses to be compensated were incurred.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements to a certain extent requires assumptions and estimates that have an effect on the recognition, measurement and presentation of the assets, liabilities, income and expenses as well as contingent assets and liabilities. These judgments and estimates reflect all the information currently available. The assumptions and estimates relate to the following principal matters:

The estimation and determination of uniform group useful lives and depreciation methods for fixed assets subject to wear and tear (carrying amount of franchises, industrial rights and other intangible assets on December 31, 2019: €626 million (prior year: €496 million); carrying amount of capitalized development costs for products in use as of December 31, 2019: €3,880 million (prior year: €3,363 million), carrying amount of property, plant and equipment subject to wear and tear excluding factory and office buildings on December 31, 2019: €3,879 million (prior year: €2,817 million)) are based on past experience and are regularly reviewed. A change in estimates results in an adjustment to the residual useful life and, if appropriate, an impairment write-down. The lease term is determined in accordance with IFRS 16 based on the non-cancellable period of the lease and an assessment of whether existing options to extend or terminate the lease will be exercised. The defined term and the discount rate used affect the amount of the right-of-use assets (carrying amount of right-of-use assets as of December 31, 2019: €902 million) and the lease liabilities (carrying amount of lease liabilities as of December 31, 2019: €910 million).

Determining the timing for the capitalization of development costs (carrying amount of the capitalized development costs as of December 31, 2019: €4,450 million (prior year: €4,424 million)) requires judgments and estimates of probabilities, particularly with respect to the technical feasibility of the development work and the availability of adequate technical, financial and other resources such that the development can be completed and the development work can be used or sold.

Testing the non-financial assets for impairment (particularly capitalized development costs and financial assets accounted for using the equity method or at cost (carrying amount of equity-accounted investments and other equity investments as of December 31, 2019: €444 million (prior year: €466 million)) requires assumptions with respect to the future cash flows in the planning period and also, if applicable, the discount rate used. The estimates required to be made for the purpose of deriving the cash flows relate mainly to future market shares, growth in the respective markets and the profitability of the products.

The impairment testing of property, plant and equipment (carrying amount of property, plant and equipment as of December 31, 2019: €8,624 million (prior year: €6,928 million)) and leased assets (carrying amount of leased assets as of December 31, 2019: €3,829 million (prior year: €3,776 million)) is principally concerned with identifying indications that property, plant and equipment and leased assets may be impaired, which requires judgments to be made. The recoverability of the leased assets of the Porsche AG group additionally depends in particular on the estimate of the residual value of the leased vehicles after the end of the lease term as this constitutes a significant portion of the expected cash inflows (please refer to the section on impairments of leased assets in note **[15]**). The composition of the cash-generating units was modified in the past fiscal year. For more information on impairment testing and on the measurement parameters used please refer to the explanations on accounting policies in the "Impairment testing" section.

In the absence of observable market values, the determination of the fair value of assets and liabilities acquired in a business combination is based on recognized valuation techniques such as the license price analogy method or the residual value method.

The designation of hedging instruments for hedge accounting requires in particular assumptions and estimates with respect to the underlying probabilities that revenue will be generated in the future from hedged currencies and with respect to the interest rates and the course of financing. The carrying amounts concerned are presented in the statement of changes in equity.

Testing financial assets for impairment requires estimates concerning the amount and probability of occurrence of future events. As far as possible, the estimates are arrived at on the basis of current market data as well as rating categories and scoring information based on experience. Further information on calculating loss allowances can be found in the notes to the statement of financial position in accordance with IFRS 7 (Financial Instruments).

The accounting treatment and measurement of provisions (carrying amount of provisions as of December 31, 2019: €8,681 million (prior year: €6,617 million)) is also based on the estimate of the amount and probability of occurrence of future events as well as the estimate of the discount rate. Experience or external appraisals are also drawn upon where possible. The measurement of provisions for pensions (carrying amount of provisions for pensions and similar obligations on December 31, 2019: €5,438 million (prior year: €3,792 million)) is additionally dependent on the estimated development of the plan assets. The assumptions underlying the calculation of provisions for pensions and similar obligations are presented in note **[25]**. Remeasurements from pension plans are recorded directly in equity and have no effect on the result reported in the income statement. Changes in estimates relating to the amount of other provisions (carrying amount of other provisions as of December 31, 2019: €3,114 million (prior year: €2,729 million)) are always recorded in profit or loss. Provisions are regularly adjusted to take account of new information. Due to the use of expected values, it is often the case that subsequent additions are made to provisions or that unutilized provisions are reversed. As in the case of expenses for recognizing new provisions, income on the reversal of provisions is recognized in the respective functions. Warranty claims from the vehicle sales business are determined taking account of past or estimated future losses and constructive warranties. This requires assumptions to be made about the nature and extent of future cases relating to actual and constructive warranties. For the warranty provisions recognized in connection with the diesel issue described in note **[37]**, assumptions were made in particular in relation to hours of work, materials costs and hourly wage rates and/or vehicle values in the event of buyback, depending on the model series and year and the relevant country. These assumptions are based on qualified estimates. The estimates rely on external data, taking into account additional information available internally such as experience relating to the parameters mentioned.

For an overview of other provisions and provisions for warranty obligations see note **[26]** and for litigation see also note **[37]**.

Tax provisions were recognized for future payments of tax arrears and other provisions were recognized for ancillary tax payments arising in connection therewith.

Porsche AG and its subsidiaries operate globally and are continually subject to audits by local tax authorities. Changes in tax legislation and court rulings and their interpretation by tax authorities in the respective countries may result in tax payments that differ from the estimates made in the financial statements.

Tax provisions are measured on the basis of the most likely value at which the risk will materialize. If there are multiple tax uncertainties, Porsche decides whether these are accounted for individually or in groups depending on which means of presentation is more suitable to project the materialization of the tax risk in each individual case. In the case of contracts for the cross-border provision of intragroup goods and services in particular, the pricing of individual products and services is complex. This is because in many cases there are no observable market prices for own products, or because the use of market prices for similar products gives rise to uncertainties due to non-comparability. In these cases (including for tax purposes), the pricing follows uniform, commercially recognized valuation techniques.

Deviations from the assumptions made as part of the estimation process may cause differences to arise as against the original estimates.

Determining deferred tax assets (carrying amount of deferred tax assets as of December 31, 2019: €1,355 million (prior year: €730 million)) requires assumptions to be made concerning future taxable profit and the timing of the recoverability of the deferred tax assets. Income tax items included in the statement of financial position whose amount is uncertain are based on the best estimate of the expected tax payment.

The assumptions and estimates are based on premises that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions deemed realistic as to the expected future development of the global and industry environment were used to estimate the company's future business performance. Since the future development of business is subject to uncertainty that cannot be fully controlled by the Porsche AG group, our assumptions and estimates continue to be subject to a high level of uncertainty. This applies in particular to short- and medium-term forecast cash flows, the discount rates used and forecast residual values.

Factors that may cause variances from the assumptions and estimates include new information about the buying behavior in the sales markets and in response to this changes in planning, dependency on suppliers, in particular exclusive suppliers, developments in exchange rates, interest rates and the prices of raw materials as well as environmental or other legal provisions. Where the development of these circumstances differs from the assumptions and lies outside the control of management, the actual figures may differ from those originally expected. In such cases, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

The global economy recorded gross domestic product (GDP) growth of 2.6% in 2019 (previous year: 3.2%). Our planning is based on the assumption that global economic growth will slow in 2020.

Prior to the date of authorization for issue of the financial statements by the Executive Board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated statement of financial position would require any significant adjustment in the following reporting period.

Management's judgments and estimates were based in particular on assumptions about the general development of the economy, the development of automotive markets (such as technological developments), the legal environment as well as estimates of future losses and constructive warranties.

NEW ACCOUNTING STANDARDS

Porsche AG and its subsidiaries have applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2019.

Various standards entered into force on January 1, 2019, as part of the International Financial Reporting Standards (IFRS) Annual Improvements Project 2017. These include clarifications to IAS 12, IAS 23, IFRS 3 and IFRS 11. In IAS 12 (Income Taxes), it was clarified that the means of recognizing the tax consequences of dividends is based on the means of recognizing the transactions that enabled the dividend payment. Clarifications were also made in IAS 23 (Borrowing Costs) with respect to calculating the capitalization rate on borrowings. In addition, the amendments to IFRS 3 (Business Combinations) and IFRS 11 (Joint Arrangements) clarify that the principles for acquisitions achieved in stages now apply when an entity obtains control of its previously held interest in a joint operation.

The amendments to IAS 28 (Investments in Associates and Joint Ventures), effective January 1, 2019, clarify that an entity applies IFRS 9 (Financial Instruments) to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Furthermore, clarifications to IFRS 9 (Financial Instruments) have been applicable since January 1, 2019. These state that certain financial instruments containing prepayment features with negative compensation can be classified as measured at amortized cost or at fair value through other comprehensive income.

IFRIC 23 (Uncertainty over Income Tax Treatments) is also applicable. This stipulates that tax risks must be taken into consideration if it is probable that the tax authorities will not accept tax treatments.

It was also clarified in IAS 19 (Employee Benefits) that the actuarial assumptions must be updated as of the date of a plan amendment, curtailment or settlement.

The above amendments do not materially affect the Porsche AG group's net assets, financial position and results of operations.

IFRS 16 – LEASES

IFRS 16 amends the requirements for lease accounting and replaces IAS 17 and associated interpretations.

The main objective of IFRS 16 is to recognize all leases in the financial statements. Accordingly, lessees are no longer required to classify their leases as either finance leases or operating leases. They are instead in principle required to recognize a right-of-use asset and a lease liability for all leases in the statement of financial position. In the Porsche AG group, the lease liability is measured at the present value of the outstanding lease payments, while the right-of-use asset is generally measured in the amount of the lease liability plus initial direct costs. During the lease term, the right-of-use asset must be depreciated and the lease liability adjusted using the effective interest method and taking the lease payments into account. IFRS 16 includes recognition exemptions for short-term leases and leases of low-value assets. The Porsche AG group exercises these and consequently does not recognize right-of-use assets and lease liabilities for such leases. The associated lease payments continue to be recognized directly in profit or loss as an expense. As of the date of initial application, leases with terms ending before January 1, 2020 were classified as short-term leases, irrespective of the date of lease inception. No reassessment was carried out in accordance with IFRS 16 to ascertain whether existing contracts were or contained a lease as of the date of initial application. Instead, contracts previously identified as leases applying IAS 17 and IFRIC 4 continue to be classified as such. Contracts not previously identified as leases applying IAS 17 and IFRIC 4 continue not to be classified as leases.

Lessor accounting essentially follows the previous requirements of IAS 17. Lessors continue to classify their leases as finance leases or operating leases on the basis of the attribution of the risks and rewards incidental to ownership of the leased asset.

The Porsche AG group began accounting for leases in accordance with IFRS 16 as of January 1, 2019, applying the modified retrospective method (within the meaning of IFRS 16.C5(b)). The prior-period figures were not restated. In accordance with this method, as of the date of initial application the lease liability is recognized at the present value of the remaining lease payments. The present value calculation is based on the incremental borrowing rate as of January 1, 2019. For this purpose the Porsche AG group applied a weighted average rate of 3.96%. In this connection, the right-of-use assets were not tested for impairment as of the date of initial application.

The first-time recognition of right-of-use assets and lease liabilities had the following effects as at January 1, 2019:

- Right-of-use assets amounting to €831 million were recognized in the opening balance sheet. Prepaid and accrued payments were set off against the right-of-use assets.
- Lease liabilities amounting to €821 million were recognized under non-current and current financial liabilities in the opening balance sheet.
- Initial application did not have any effect on equity.

The difference between the expected payments for operating leases discounted using the incremental borrowing rate as of December 31, 2018 (€785 million) and the lease liabilities recognized in the opening balance sheet (€821 million) is due primarily to a reassessment of the expected lease payments, for example because of recognizing variable lease payments. The lease terms taken into consideration when recognizing the liabilities were also reassessed in accordance with the requirements of IFRS 16. Options to extend or terminate the lease that are reasonably certain to be exercised are taken into consideration when determining the lease payments to be recognized. Lease payments for short-term leases and leases of low-value assets are not included in the lease liabilities recognized in the opening balance sheet.

In contrast to the previous method, where expenses from operating leases were fully recognized in operating profit, under IFRS 16 only depreciation recognized on the right-of-use asset is allocated to operating profit in the automotive division. The interest expense on the lease liabilities is recognized in the financial result in the automotive division. This improved the operating result by €29 million in the fiscal year.

The changed recognition of expenses from operating leases in the statement of cash flows caused cash flows from operating activities to improve by €77 million in fiscal year 2019. There was a corresponding decrease in cash flows from financing activities. The increase in financial liabilities caused by the change in accounting requirements resulted in a €910 million decrease in the net liquidity of the Porsche AG group as of December 31, 2019.

IFRS 9, IAS 39, IFRS 7 – Interest rate benchmark reform

Porsche AG has chosen early application of Interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7), which was published on September 26, 2019. The amendments are mandatory for annual periods beginning on or after January 1, 2020. They affect hedges that were in place as of the beginning of the reporting period or that were subsequently designated as such. In the context of the relief provided, the Company assumes that the effectiveness of the hedges recognized will not be adversely impacted by the IBOR reform, and as such there is no need to terminate any hedge.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT APPLIED

In its 2019 consolidated financial statements, Porsche AG did not apply the following accounting standards that have already been issued by the IASB but for which application was not yet mandatory for the fiscal year.

Standard/Interpretation		Published by the IASB	Application obligation[1]	Acceptance by EU	Expected effects
IFRS 3	Business combinations: Definition of a business	Oct. 22, 2018	Jan. 01, 2020	No	No material effects
IFRS 17	Insurance contracts	May 18, 2017	Jan. 01, 2021[2]	No	No material effects expected
IAS 1 and IAS 8	Presentation of financial statements as well as accounting methods, changes in accounting-related estimates and errors: definition of materiality	Oct. 31, 2018	Jan. 01, 2020	Yes	No material effects
IAS 1	Classification of liabilities	Jan. 23, 2020	Jan. 01, 2022	No	No material effects

[1] Mandatory first-time application from the point of view of Porsche AG and its subsidiaries on the basis of the IFRS effective date, subject to adoption by the EU if the EU endorsement process has yet to be completed.

[2] The IASB has proposed delaying the date of initial application until January 1, 2022.

Voluntary early adoption of the changes before they become mandatory under the transitional provisions of the IASB is not planned.

Notes to the consolidated income statement

The income statement has been prepared using the function of expense method.

[1] SALES REVENUE

Sales revenue breaks down by type of product as follows:

€ million	2019	2018
Type of product		
Vehicles	**21,970**	19,508
Genuine parts	**1,528**	1,392
Used vehicles and third-party products	**957**	998
Rental and leasing business	**2,356**	2,018
Interest and similar income from financial services business	**196**	178
Hedges sales revenue	**–289**	295
Other revenue	**1,800**	1,395
	28,518	**25,784**

Other revenue contains insurance premiums from warranty insurance for used vehicles of €76 million (prior year: €68 million). Otherwise, other revenue mainly contains income from consulting, development services and workshop services.

Of the sales revenue recognized in the reporting period, €499 million (prior year: €216 million) was included in contract liabilities as of January 1, 2019. In addition to existing performance obligations from long-term construction contracts, most of which are expected to be satisfied and the revenue recognized by December 31, 2020, by far the majority of performance obligations not yet satisfied as of the reporting date relate to vehicle deliveries. Most of these deliveries had already been made as of the date this report was prepared, or will be made in Q1 2020.

[2] COST OF SALES

The cost of sales amounted to €21,256 million (prior year: €18,629 million) and mainly comprised production materials, personnel expenses, non-staff overheads and depreciation and amortization.

Cost of sales also contains the interest expense attributable to the financial services business amounting to €103 million (prior year: €79 million), impairment write-downs on leased assets amounting to €117 million (prior year: €129 million) and expenses for indemnification payments from warranty insurance for used vehicles amounting to €51 million (prior year: €43 million).

[3] DISTRIBUTION EXPENSES

Distribution expenses of €2,044 million (prior year: €1,901 million) include non-staff overheads and personnel expenses, depreciation and amortization charged in the distribution function as well as shipping, advertising and sales promotion costs incurred.

[4] ADMINISTRATIVE EXPENSES

Administrative expenses of €1,029 million (prior year: €1,103 million) mainly contain non-staff overheads and personnel expenses as well as depreciation and amortization charged in the administrative function.

[5] OTHER OPERATING INCOME

Other operating income breaks down as follows:

€ million	2019	2018
Income from reversal of valuation allowances on receivables and other assets	**19**	15
Income from reversal of provisions and accruals	**100**	107
Income from foreign currency hedging derivatives and foreign exchange gains	**219**	177
Income from cost allocations	**216**	190
Gains on asset disposals and the reversal of impairment losses	**35**	50
Miscellaneous other operating income	**257**	274
	846	**813**

Income from foreign currency hedging derivatives and foreign exchange gains mainly comprises exchange rate gains between the date of origin and the date of payment of foreign exchange receivables and liabilities. Resulting exchange rate losses are included in other operating expenses.
Miscellaneous other operating income primarily comprises rental and lease income, as well as recourse income.

[6] OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

€ million	2019	2018
Valuation allowances on trade receivables	**15**	12
Valuation allowances on other receivables and other assets[1)]	**41**	32
Expenses from foreign currency hedging derivatives and foreign exchange losses	**269**	220
Losses on disposal of non-current assets	**22**	52
Penalty notice prosecution Stuttgart (special factor diesel issue)	**535**	–
Miscellaneous other operating expenses	**291**	359
	1,173	**675**

The valuation allowances on receivables and other assets include €0 million in valuation allowances on receivables under long-term construction contracts. In the prior year, valuation allowances on receivables under long-term construction contracts were included in the valuation allowances on trade receivables (prior year: €1 million).
Expenses from foreign exchange losses mainly contain exchange rate losses between the date of origin and the date of payment of foreign exchange receivables and liabilities. Exchange rate gains are included in other operating income.
The administrative order from the public prosecutor's office in Stuttgart provides for a total fine of €535 million (prior year: €0 million). Further information can be found in note **[37]**.
Miscellaneous operating expenses consist principally of other expenses for litigation costs and legal risks.

[7] SHARE OF PROFITS AND LOSSES OF EQUITY-ACCOUNTED INVESTMENTS

The share of profits and losses of equity-accounted investments amounted to €-1 million (prior year: €3 million). Of the total amount, €5 million (prior year: €7 million) relates to associates and €-6 million (prior year: €-4 million) to joint ventures.

[8] INTEREST RESULT

€ million	2019	2018
Interest income	**416**	**408**
Other interest and similar income	**416**	408
Interest expenses	**–148**	**–92**
Other interest and similar expenses	**–23**	–25
Interest cost included in lease payments	**–29**	–
Interest result on other liabilities	**–21**	–1
Net interest on the net defined benefit liability	**–75**	**–66**
Interest result	**268**	**316**

In the reporting period, borrowing costs of €10 million (prior year: €19 million) were capitalized, which were attributable to capitalized development costs. A cost of debt of 1.6% (prior year: 1.4%) was assumed for this purpose.

[9] OTHER FINANCIAL RESULT

€ million	2019	2018
Income from profit and loss transfer agreements	**1**	0
Cost of loss absorption	**–0**	0
Other income from equity investments	**7**	0
Other expenses from equity investments	**–87**	0
Income and expenses from securities and loans	**12**	–8
Gains and losses from remeasurement and impairment of financial instruments	**–19**	–70
Gains and losses from fair value changes of derivatives not included in hedge accounting	**11**	22
Other financial result	**–75**	**–56**

The other expenses from equity investments include write-downs of €83 million on the equity-accounted investment in Bertrandt AG (prior year: €0 million).

[10] INCOME TAX

Income tax comprises the tax expense incurred on account of the consolidated tax group of Porsche Holding Stuttgart GmbH, Stuttgart, taxes currently owed by the companies comprising the consolidated tax group and taxes owed by the consolidated subsidiaries, as well as deferred taxes.

The income tax expense disclosed breaks down as follows:

€ million	2019	2018
Current tax expense, Germany	**998**	1,233
Current tax expense, other countries	**270**	194
Current tax expense	**1,268**	1,427
thereof relating to other periods	**10**	56
Deferred tax expense, Germany	**–35**	44
Deferred tax income/expense, other countries	**20**	–37
Deferred taxes	**–15**	7
Income tax income/expense	**1,253**	**1,434**

The statutory corporate income tax rate for the 2019 assessment period in Germany was 15% (prior year: 15%). Including trade tax and the solidarity surcharge, this results in an aggregate tax rate of €29.8% (prior year: €29.9%). A tax rate of 29.8% (previous year: 29.8%) was applied to measure the deferred taxes in the German consolidated tax group.

The tax rates applied for foreign entities range between 0% and 34% (prior year: 0% and 34%). In the case of split tax rates, the tax rate applicable to undistributed profits is applied. Tax rate changes led to measurement income (prior year: measurement income) in the reporting period of €1 million (prior year: €7 million).

The current tax expense was reduced by €1 million (prior year: €0 million) as a result of the utilization of previously unrecognized tax losses and tax credits and previously unrecognized temporary differences from prior periods. Where deferred taxes were concerned, the use of recognized tax losses in the fiscal year led to an decrease in the deferred tax expense in the amount of €0 million (prior year: €0 million).

No reversals of impairments or impairments on deferred tax assets were recognized for temporary differences in the reporting year (prior year: €0 million).

Previously unused tax loss carryforwards for which no deferred tax assets were recognized amounted to €38 million (prior year: €41 million). Of that amount, €23 million (prior year: €26 million) may be used without time limit, €11 million (prior year: €11 million) after more than 10 years and €4 million (prior year: €4 million) within 10 years.

In addition, deferred tax totaling €49 million (prior year: €72 million) was recognized on tax loss carryforwards and tax credits.

In accordance with IAS 12.39, deferred tax liabilities were not recognized for temporary differences on retained profits at subsidiaries of Porsche AG in the amount of €216 million (prior year: €238 million) because control exists.

The following reconciliation shows the differences between the expected income tax expense calculated using the group tax rate and the reported income tax expense:

€ million	2019	2018
Profit before tax	**4,054**	4,552
Group tax rate in %	**29.8**	29.9
Expected income tax expense	**1,208**	**1,361**
Effects of different tax rates	**–21**	–38
Effects of loss carryforwards and tax credits	**–**	–
Tax-exempt income and non-deductible business expenses	**88**	77
Taxes relating to other periods	**–20**	27
Effect of tax rate changes	**–1**	7
Other differences	**–1**	–
Reported income tax expense	**1,253**	**1,434**
Effective tax rate in %	**30.9**	**31.5**

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual balance sheet items and to tax loss carryforwards:

	Deferred tax assets		Deferred tax liabilities	
€ million	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Intangible assets, property, plant and equipment and leased assets	**45**	80	**2,273**	1,679
Other equity investments	**5**	5	**–**	–
Inventories	**24**	15	**15**	36
Receivables and other assets (including financial services)	**53**	14	**74**	75
Securities	**1**	–	**–**	–
Unused tax losses and tax credits	**49**	72	**–**	–
Provisions for pensions and similar obligations	**1,130**	689	**21**	14
Liabilities and other provisions	**1,536**	827	**22**	28
Gross value	**2,843**	1,702	**2,405**	1,832
Offsetting	**–1,773**	–1,204	**–1,773**	–1,204
Consolidation	**285**	232	**49**	22
Amount recognized in the consolidated statement of financial position	**1,355**	**730**	**681**	**650**

Deferred tax assets and liabilities were recognized due to the first-time application of IFRS 16 in fiscal year 2019. Deferred taxes relating to right-of-use assets were reported under intangible assets, property, plant and equipment, and leased assets; deferred taxes relating to lease liabilities were reported in deferred taxes for liabilities and other provisions.

In accordance with IAS 12, deferred tax assets and liabilities are offset if they relate to the same taxation authority, are due in the same periods, and there is a legally enforceable right to set off the recognized amounts.

As of the reporting date, deferred taxes totaling €969 million (prior year: €381 million) were recognized in the statement of financial position as an increase in equity; these are allocable to income and expenses recorded in other comprehensive income.

Deferred taxes recorded in other comprehensive income in the fiscal year are detailed in the statement of comprehensive income.

[11] PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit/loss attributable to non-controlling interests amounts to €5 million (prior year: €5 million).

Notes to the consolidated statement of financial position

[12] DEVELOPMENT OF INTANGIBLE ASSETS

The intangible assets disclosed contain purchased development work, tool cost subsidies, capitalized development costs for vehicles and smart mobility, goodwill, licenses and software.

Total research and development in the reporting period (excluding amortization) developed as follows:

€ million	2019	2018
Research and non-capitalized development costs	**1,220**	1,113
Amortization of development costs	**923**	930
Research and development costs recognized in the income statement	**2,143**	**2,043**
Investment in capitalized development costs	**949**	1,064
Research and development costs (without amortization)	**2,169**	**2,177**

Investment in capitalized development costs contains capitalized borrowing costs of €10 million (prior year: €19 million).

The carrying amount of goodwill in the Porsche AG group as of December 31, 2019 amounts to €9 million (prior year: €9 million).

Most of the existing goodwill is attributable to MHP Management- und IT-Beratung GmbH, Ludwigsburg (€4 million) and Porsche Enterprises, Inc., Wilmington, Delaware, USA (€3 million).

Intangible assets developed as follows:

€ million	Franchises, industrial and similar rights	Capitalized development costs for products currently in use	Capitalized development costs for products under development	Goodwill	Total
Cost					
Balance at Jan. 1, 2018	1,150	4,863	1,430	10	7,453
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	–	–	–	–	–
Additions	176	425	639	–	1,240
Transfers	47	1,008	– 1,008	–	47
Disposals	5	42	–	–	47
Balance at Dec. 31, 2018	**1,368**	**6,254**	**1,061**	**10**	**8,693**
Amortization and impairment					
Balance at Jan. 1, 2018	803	2,003	–	1	2,807
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	–	–	–	–	–
Additions	70	930	–	–	1,000
Transfers	–	–	–	–	–
Disposals	1	42	–	–	43
Balance at Dec. 31, 2018	**872**	**2,891**	**–**	**1**	**3,764**
Cost					
Balance at Jan. 1, 2019	1,368	6,254	1,061	10	8,693
Foreign exchange differences	1	–	–	–	1
Changes in consolidated group	0	–	–	–	0
Additions	238	504	445	–	1,187
Transfers	10	936	– 936	–	10
Disposals	16	–	–	–	16
Balance at Dec. 31, 2019	**1,601**	**7,694**	**570**	**10**	**9,875**
Amortization and impairment					
Balance at Jan. 1, 2019	872	2,891	–	1	3,764
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	0	–	–	–	0
Additions	119	923	–	–	1,042
Transfers	– 8	–	–	–	– 8
Disposals	8	–	–	–	8
Balance at Dec. 31, 2019	**975**	**3,814**	**–**	**1**	**4,790**
Net carrying amount as of Dec. 31, 2018	496	3,363	1,061	9	4,929
Net carrying amount as of Dec. 31, 2019	**626**	**3,880**	**570**	**9**	**5,085**

[13] DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

€ million	Land, land rights and buildings, incl. buildings on third-party land[1)]	Technical equipment and machinery[1)]	Other equipment, furniture and fixtures[1)]	Advance payments and assets under con-struction	Total
Cost					
Balance at Jan. 1, 2018	2,823	1,769	6,918	1,216	12,726
Foreign exchange differences	4	–	2	–	6
Changes in consolidated group	1	–	1	–	2
Additions	106	65	746	1,000	1,917
Transfers	167	109	71	–394	–47
Disposals	4	7	92	5	108
Balance at Dec. 31, 2018	**3,097**	**1,936**	**7,646**	**1,817**	**14,496**
Depreciation and impairment					
Balance at Jan. 1, 2018	717	997	5,109	0	6,823
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	–	–	–	–	–
Additions	86	182	532	–	800
Additions to cumulative impairment losses	–	1	–	–	1
Disposals	–	5	51	–	56
Reversal of impairment losses	–	–	–	–	–
Balance at Dec. 31, 2018	**803**	**1,175**	**5,590**	**0**	**7,568**
Cost					
Balance at Jan. 1, 2019	3,888	1,945	7,677	1,817	15,327
Foreign exchange differences	23	–1	2	–	24
Changes in consolidated group	–	–	–	–	–
Additions	293	205	976	500	1,974
Transfers	631	382	366	–1,389	–10
Disposals	25	15	104	4	148
Balance at Dec. 31, 2019	**4,810**	**2,516**	**8,917**	**924**	**17,167**
Depreciation and impairment					
Balance at Jan. 1, 2019	803	1,175	5,590	0	7,568
Foreign exchange differences	3	–	2	–	5
Changes in consolidated group	–	–	–	–	–
Additions	194	214	668	–	1,076
Additions to cumulative impairment losses	–	–	–	–	–
Transfers	–2	–	10	–	8
Disposals	9	12	93	–	114
Balance at Dec. 31, 2019	**989**	**1,377**	**6,177**	**0**	**8,543**
Net carrying amount as of Dec. 31, 2018	2,294	761	2,056	1,817	6,928
Net carrying amount as of Dec. 31, 2019	**3,821**	**1,139**	**2,740**	**924**	**8,624**

1) The carrying amount in the opening balance sheet for 2019 was restated (see the information on "New accounting standards – IFRS 16" and note [33] IFRS 16 – Leases).

[14] DEVELOPMENT OF EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER EQUITY INVESTMENTS

€ million	Investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2018	341	61	402
Foreign exchange differences	–	1	1
Changes in consolidated group	–	– 2	– 2
Additions	31	40	71
Changes recognized directly in equity	–	–	–
Changes recognized in profit or loss	3	–	3
Dividends	– 7	–	– 7
Disposals	–	–	–
Balance at Dec. 31, 2018	**368**	**100**	**468**
Impairments			
Balance at Jan. 1, 2018	–	2	2
Additions	–	–	–
Balance at Dec. 31, 2018	**–**	**2**	**2**
Cost			
Balance at Jan. 1, 2019	368	100	468
Foreign exchange differences	–	–	–
Changes in consolidated group	–	–	–
Additions	20	104	124
Changes recognized directly in equity	–	–	–
Changes recognized in profit or loss	– 1	–	– 1
Dividends	– 6	–	– 6
Disposals	–	52	52
Balance at Dec. 31, 2019	**381**	**152**	**533**
Impairments			
Balance at Jan. 1, 2019	–	2	2
Additions	83	4	87
Balance at Dec. 31, 2019	**83**	**6**	**89**
Net carrying amount as of Dec. 31, 2018	368	98	466
Net carrying amount as of Dec. 31, 2019	**298**	**146**	**444**

The equity-accounted investments include associates amounting to €247 million (prior year: €331 million) and joint ventures amounting to €51 million (prior year: €37 million).
The addition to equity-accounted investments relates to the €20 million capital increase at Ionity Holding GmbH & Co. KG (prior year: €31 million). Further details can be found under "Basis of Consolidation".

[15] DEVELOPMENT OF LEASED ASSETS AND TOTAL FIXED ASSETS

€ million	Leased assets	Total fixed assets
Cost		
Balance at Jan. 1, 2018	4,724	25,305
Foreign exchange differences	186	193
Changes in consolidated group	–	–
Additions	2,091	5,319
Changes recognized in profit or loss	–	3
Transfers	–	–
Dividends	–	– 7
Disposals	1,713	1,868
Balance at Dec. 31, 2018	**5,288**	**28,945**
Depreciation and impairment		
Balance at Jan. 1, 2018	1,269	10,901
Restatement	– 11	– 11
Foreign exchange differences	52	52
Changes in consolidated group	–	–
Additions	681	2,481
Additions to cumulative impairment losses	129	130
Disposals	564	663
Reversal of impairment losses	44	44
Balance at Dec. 31, 2018	**1,512**	**12,846**
Cost		
Balance at Jan. 1, 2019	5,288	29,776
Foreign exchange differences	121	146
Changes in consolidated group	–	–
Additions	2,117	5,402
Changes recognized in profit or loss	–	– 1
Transfers	–	–
Dividends	–	– 6
Disposals	2,049	2,265
Balance at Dec. 31, 2019	**5,477**	**33,052**
Depreciation and impairment		
Balance at Jan. 1, 2019	1,512	12,846
Foreign exchange differences	36	41
Changes in consolidated group	–	0
Additions	752	2,870
Additions to cumulative impairment losses	117	204
Transfers	–	–
Disposals	739	861
Reversal of impairment losses	30	30
Balance at Dec. 31, 2019	**1,648**	**15,070**
Net carrying amount as of Dec. 31, 2018	3,776	16,099
Net carrying amount as of Dec. 31, 2019	**3,829**	**17,982**

Leased assets contain assets leased to customers under the terms of operating leases. Any impairment of leased assets from these vehicle leasing contracts is recognized as an impairment loss in the consolidated financial statements. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. Impairment losses in fiscal year 2019 amounted to €120 million (prior year: €129 million).

Group entities in the financial services division act as lessor, primarily leasing their own products.

[16] INVENTORIES

Inventories break down as follows:

€ million	Dec. 31, 2019	Dec. 31, 2018
Raw materials, consumables and supplies	**324**	234
Work in progress	**238**	181
Finished goods and merchandise	**3,450**	3,468
Advance payments made	**1**	6
	4,013	**3,889**

Of the total inventories reported as of the reporting date of €4,013 million (prior year: €3,889 million), an amount of €64 million (prior year: €45 million) is recognized at net realizable value. Inventories of €19,069 million (prior year: €16,782 million) were expensed at the time revenue was recognized. The write-downs recognized in profit or loss in the reporting period amounted to €131 million (prior year: €81 million) and resulted from the remeasurement of used vehicles. Reversals of write-downs of €3 million (prior year: €4 million) were recognized in profit or loss in the reporting period. Of the total amount of inventories, leased vehicles returned amounting to €39 million (prior year: €34 million) are pledged as security under asset-backed securities transactions.

[17] TRADE RECEIVABLES

€ million	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	**842**	746
Conditional receivables from long-term construction contracts[1]	**–**	13
	842	**759**

[1] From fiscal year 2019 onwards reported in note **[20]** other receivables.

The maximum default risk corresponds to the carrying amounts of the net receivables. The fair values of the trade receivables essentially correspond to the carrying amounts due to the remaining terms.

Of the total amount of trade receivables, €0 million (prior year: €0 million) is due in more than one year.

Trade receivables include contingent receivables under long-term construction contracts recognized in application of the percentage of completion method. From fiscal year 2019 onwards these are reported under other receivables. They correspond to the contract assets from contracts with customers, and developed as follows:

€ million	**2018**
Contingent construction contract receivables Balance at Jan. 1	13
Additions and disposals	– 1
Changes in consolidated group	–
Change in valuation allowances	1
Changes in estimates and assumptions as well as contract modifications	–
Foreign exchange differences	–
Contingent construction contract receivables at Dec. 31	**13**

The contingent receivables from long-term construction contracts break down as follows:

€ million	**Dec. 31, 2018**
Contract costs including outcome of the long-term construction contracts	129
thereof services billed to customers	– 68
Future receivables from long-term construction contracts	61
Advance payments received	– 48
	13

[18] NON-CURRENT AND CURRENT FINANCIAL SERVICES RECEIVABLES

As of the end of the reporting period, financial services receivables break down as follows:

	CARRYING AMOUNT			FAIR VALUE	CARRYING AMOUNT			FAIR VALUE
€ million	Current	Non-current	Dec. 31, 2019	Dec. 31, 2019	Current	Non-current	Dec. 31, 2018	Dec. 31, 2018
Receivables from financing business								
Customer financing	307	832	1,139	**1,178**	275	759	1,034	1,047
Dealer financing	16	–	16	**16**	17	–	17	17
Direct banking	–	–	–	**–**	–	–	–	–
	323	832	1,155	**1,194**	**292**	**759**	**1,051**	**1,064**
Receivables from operating leases	11	–	11	**11**	5	–	5	5
Receivables from finance leases	508	1,009	1,517	**1,557**	433	897	1,330	1,345
	842	**1,841**	**2,683**	**2,762**	**730**	**1,656**	**2,386**	**2,414**

[19] NON-CURRENT AND CURRENT OTHER FINANCIAL ASSETS

As of the end of the reporting period, other financial assets break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2019	Current	Non-current	Dec. 31, 2018
Positive fair value of derivative financial instruments	45	130	**175**	193	231	**424**
Miscellaneous financial assets	2,370	8,220	**10,590**	2,099	8,167	**10,266**
	2,415	**8,350**	**10,765**	**2,292**	**8,398**	**10,690**

The miscellaneous financial assets include receivables due from Porsche Holding Stuttgart GmbH in the amount of €9,712 million (prior year: €9,493 million). These relate to loan receivables of €8,135 million (prior year: €8,135 million) due in more than one year and the current clearing account and interest receivables of Porsche AG amounting to €1,577 million (prior year: €1,358 million).

In addition, the miscellaneous financial assets include restricted cash in the amount of €242 million (prior year: €239 million). It relates to collected customer payments for receivables sold under asset-backed securities programs, which have to be passed on to the contracting partners in a timely manner, as well as collateral in connection with vehicle financing. There are also restrictions on the use of credits accrued under phased retirement schemes in accordance with section §8a of the German Phased Retirement Act (*Altersteilzeitgesetz* – AtzG) in connection with statutory insolvency insurance.

No significant valuation allowances were recognized for miscellaneous financial assets. The maximum default risk corresponds to the net carrying amounts of miscellaneous financial assets.

The positive fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2019	Dec. 31, 2018
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	**113**	366
Hedging transactions (interest and currency)	**113**	**366**
Assets related to derivatives not included in hedging relationships	**62**	58
	175	**424**

Further details on derivative financial instruments as a whole are given in note **[34]**.

[20] NON-CURRENT AND CURRENT OTHER RECEIVABLES

As of the end of the reporting period, other receivables break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2019	Current	Non-current	Dec. 31, 2018[1]
Other recoverable income taxes	258	0	**258**	283	–	**283**
Miscellaneous receivables	232	166	**398**	185	125	**310**
Conditional receivables from long-term construction contracts[1]	–	13	**13**	–	–	**–**
	490	**179**	**669**	**468**	**125**	**593**

[1] In the prior year reported in note **[17]** Trade receivables.

Miscellaneous receivables included prepaid expenses in the amount of €216 million (prior year: €184 million). These are primarily attributable to rent and marketing expenses, as well as prepaid maintenance costs for hardware and software.

The current other receivables are mainly non-interest-bearing.

Other receivables include contingent receivables under long-term construction contracts recognized in application of the percentage of completion method. In the prior year these were reported under trade receivables. They correspond to the contract assets from contracts with customers, and developed as follows:

€ million	2019
Contingent construction contract receivables Balance at Jan. 1	**13**
Additions and disposals	**–1**
Changes in consolidated group	**–**
Change in valuation allowances	**1**
Changes in estimates and assumptions as well as contract modifications	**–**
Foreign exchange differences	**–**
Contingent construction contract receivables at Dec. 31	**13**

The contingent receivables from long-term construction contracts break down as follows:

€ million	Dec. 31, 2019
Contract costs including outcome of the long-term construction contracts	**98**
thereof services billed to customers	**–45**
Future receivables from long-term construction contracts	**53**
Advance payments received	**–40**
	13

The revenue from long-term construction contracts totals €124 million (prior year: €120 million). Contracts and parts of contracts billed to customers are presented within trade receivables. No material write-downs were recognized for these.

[21] TAX ASSETS

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2019	Current	Non-current	Dec. 31, 2018
Deferred tax assets	**–**	**1,355**	**1,355**	–	730	**730**
Tax receivables	**95**	**–**	**95**	81	–	**81**
	95	**1,355**	**1,450**	**81**	**730**	**811**

€780 million (prior year: €522 million) of the deferred tax assets is due within one year.

[22] SECURITIES

The securities serve to safeguard liquidity. They are short-term fixed-income securities and equities. The majority of securities are measured at fair value. Non-current securities amounting to €63 million (previous year: €57 million) were furnished as collateral for financial liabilities and contingent liabilities. The recipient of collateral has no original right of disposal or pledge with respect to the furnished collateral.

[23] CASH, CASH EQUIVALENTS AND TIME DEPOSITS

Cash, cash equivalents and time deposits of €3,511 million (prior year: €2,635 million) consist of checks, cash on hand, bank balances, balances with affiliated companies and time deposits. Bank balances are held at various banks in different currencies. Balances with affiliated companies comprise overnight or short-term deposits that are only subject to an immaterial risk of fluctuations in value.

[24] EQUITY

The composition and development of equity and of non-controlling interests is presented in the statement of changes in equity.

SUBSCRIBED CAPITAL

Porsche AG's subscribed capital amounts to €45,500,000 (prior year: €45,500,000) and is divided into €45,500,000 (prior year: €45,500,000) no-par-value shares, each with a pro rata share of €1 of the share capital. All shares in Porsche AG are held by Porsche Holding Stuttgart GmbH. A control and profit and loss transfer agreement is in place between Porsche Holding Stuttgart GmbH and Porsche AG.

CAPITAL RESERVES

The capital reserves contain contributions from premiums and other capital contributions and increased by €1,273 million (previous year: €1,208 million) to €12,726 million in the reporting period (previous year: €11,453 million). The increase during the fiscal year related to two cash capital contributions of €256 million (previous year: €259 million) and €1,017 million (previous year: €949 million) by Porsche Holding Stuttgart GmbH.

RETAINED EARNINGS

Retained earnings include the reserve for accumulated profits and the reserve for remeasurements from pension plans.

The reserve for accumulated profits includes the profits earned in the reporting year and those earned by consolidated subsidiaries in prior years and not yet distributed as well as transactions recognized within equity. The profit transferred to Porsche Holding Stuttgart GmbH on account of the profit and loss transfer agreement amounted to €1,798 million (prior year: €2,290 million).

Changes in pension provisions recognized directly in equity are posted to the reserve for remeasurements from pension plans.

OTHER RESERVES

The other reserves are the reserves for currency translation, for cash flow hedges (OCI I), for deferred hedging costs (OCI II), for equity and debt instruments, and for equity-accounted investments.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. In addition, exchange differences from the translation of capital have been reported in this reserve to allow the uniform recording of foreign currency effects within equity.

The cash flow hedge reserve (OCI I) is only used to record the designated effective portions of changes in the value of hedging instruments. By contrast, the non-designated portions of changes in the value of hedging instruments are accounted for through the reserve for deferred hedging costs (OCI II).

The reserve for equity-accounted investments is used to record the proportionate changes in equity-accounted investments recognized in other comprehensive income.

NON-CONTROLLING INTERESTS

Non-controlling interests in equity relate to 25% of the shares in Porsche Taiwan Motors Ltd., Taipei. Non-controlling interests in equity relating to 25% of the shares in Porsche Korea Ltd., Seoul, were reported in the prior year. These were sold for a purchase price of €19 million in the reporting period. The transaction is presented under "Capital transactions involving a change in ownership interest" in the consolidated statement of changes in equity.

CAPITAL MANAGEMENT

The group's capital management ensures that it is possible to realize the group's objectives and strategies in the interests of the shareholder, employees and other stakeholders. The primary objective of capital management at the Porsche AG group is to ensure the financial flexibility necessary to realize its value-adding business and growth targets and to increase its enterprise value over the long term. The management's focus lies in particular on generating the shareholder's desired minimum return on invested capital in the automotive division and on increasing the return on equity in the financial services division. In general, the aim of the group and its divisions is to achieve as high a return as possible to the benefit of all stakeholders in the company.

In order to structure the use of resources as efficiently as possible in the automotive division and to measure its success, we apply a value-driven management concept based on value contributed as an absolute performance indicator and return on investment (ROI) as a relative performance indicator.

Value contributed is determined by calculating the difference between operating profit after tax and the opportunity cost of invested capital. The opportunity cost of capital is calculated by multiplying the cost of capital stipulated by the shareholder by the average invested capital. Invested capital is calculated as total operating assets (property, plant and equipment, intangible assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received). Average invested capital is calculated using total assets at the beginning and the end of the year under review. In the year under review, the automotive division contributed a significantly positive value of €1,695 million (prior year: €2,148 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. If the return on investment exceeds the cost of capital stipulated by the shareholder, this results in an appreciation of the invested capital, or positive value contributed. In the automotive division, the return on investment for the year under review amounted to 18.5% (prior year: 24.5%), which was significantly above the minimum return of 9% required by the shareholder.

Given the particular features of the financial services division, control focuses on the return on equity, a target indicator which is based on the equity invested. This indicator is calculated as the ratio of earnings before tax to average equity. Average equity is calculated using equity at the beginning and the end of the year under review. In addition, the financial services division aims to satisfy the supervisory equity requirements, as well as to obtain the necessary equity to finance the planned growth over the coming years and to support external ratings by holding adequate equity resources.

The return on investment and value contributed in the automotive division and the return on equity and equity ratio in the financial services division are presented in the tables below:

€ million	**2019**	**2018**
Automotive division		
Operating profit after tax	**2,573**	2,875
Assets invested (average)	**13,934**	11,718
Return on investment (RoI) in %	**18.5**	**24.5**
Cost of capital in %	**6.3**	6.2
Opportunity cost of invested capital	**878**	727
Value contributed	**1,695**	**2,148**
Financial services division		
Profit before tax	**203**	172
Average equity	**1,215**	1,108
Pre-tax return on equity in %	**17**	**16**
Equity ratio in %	**16**	**15**

In conjunction with the group's existing debenture agreements, it was agreed that the Porsche AG group would comply with a financial covenant to maintain a minimum equity ratio of 20%. With an equity ratio of 41% (previous year: 43%), the group satisfied this covenant in full in the reporting period.

[25] PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations.

Group companies provide both defined contribution plans and defined benefit plans. In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions are recognized as expenses of the period concerned. In the reporting period, they amounted to €209 million (prior year: €185 million) in the group as a whole. Of that amount, contributions to the compulsory state pension system in Germany amounted to €202 million (prior year: €178 million).

Most pension plans are defined-benefit plans, with a distinction made between unfunded benefit obligations and externally funded plans. The defined-benefit plans are measured using the projected unit credit method in accordance with IAS 19. The defined-benefit obligations are recognized at the present value of vested benefits as of the measurement date taking probable future increases in pensions and salaries into account. The defined-benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current period.

Most of the benefits relate to Porsche AG. Porsche also provides a conversion model, where Porsche employees can make their own contributions to establish an additional personal pension account.

ACTUARIAL ASSUMPTIONS

The defined-benefit obligations are calculated using actuarial methods. These include assumptions concerning discount rates, future wage and salary developments and pension increases. These parameters are estimated annually by the company. Actuarial gains or losses result from changes in the composition of the plan and deviations of actual parameters (for example, increases in income and pensions or changes in interest rates) from the assumptions made in the calculation in the prior year. These were recognized directly in equity in the period in which they were incurred taking into account deferred taxes.

The present value of the obligations is reported as the present value of the guaranteed obligation and the plan assets. A provision is recognized for any excess between the present value of the guaranteed obligations and the plan assets.

The measurement is based on the following assumptions:

%	Germany 2019	Germany 2018	United Kingdom 2019	United Kingdom 2018	USA 2019	USA 2018
Discount rate	**1.10**	2.00	**2.00**	3.00	**3.40**	4.55
Increase in salaries	**2.90**	3.00	**2.90**	3.10	**3.25**	3.50
Employee turnover rate	**0.70**	0.70	**–**	–	**–**	–
Medical cost increase rate	**–**	–	**–**	–	**4.50**	6.80
Career progression	**0.50**	0.50	**–**	–	**–**	–
Increase in pensions	**1.50**	1.50	**2.40**	2.50	**–**	–

Discount rates are generally determined based on the return on high-quality corporate bonds whose terms and currency match the respective obligations. The iBoxx AA 10+ Corporates index was used as a basis for the obligations pertaining to the group's entities in Germany. Comparable indices are used for foreign pension obligations.

Increases in pensions correspond to either the contractually agreed guaranteed adjustments or are based on the rules applicable locally in each respective country for pension adjustments.

The Porsche AG group offers its employees benefits from a modern and attractive pension scheme for the time after their active working life. A substantial part of the benefit obligations are pension plans for employees in Germany classified as defined-benefit plans within the meaning of IAS 19. These obligations are for the most part financed through the recognition of provisions in the statement of financial position.

Both contribution-based pension obligations with guarantees and pension obligations based on the final salary payment have been entered into in connection with employer-funded pension plans. In the case of defined-contribution obligations, an annual income-related service cost is converted into a retirement benefit payable for life based on annuity conversion factors (guaranteed components). The annuity conversion factors contain a guaranteed return. If benefits fall due, the pension components vested each year are added.

Defined-benefit obligations with guarantees have been entered into for employee-funded pension plans. The annual service cost (according to individual deferred-compensation agreements) is converted to capital components by multiplying them with age factors. A guaranteed return is integrated in the age factors. If benefits fall due, the pension components vested each year are paid out either as a lump sum or in multiple installments. In the event of a pension payment, this is calculated by converting the capital for pension benefits into an annuity.

The present value of the guarantee obligation increases as interest rates fall and is thus exposed to interest rate risks.

Pension payments are granted for life under the pension system. To this extent, the entities bear the longevity risk. This is addressed by using the most recent mortality tables (Heubeck 2018 G) to determine the annuity conversion factors and the present value of the guaranteed obligation.

To reduce the inflation risk inherent in adjustments to current pension payments by the amount of the inflation rate, a pension adjustment that is not linked to inflation was introduced for pension obligations to the extent legally permitted.

The effects of a one percentage point increase or decrease in the assumed medical cost increase rate when calculating the obligations for the medical costs of the US entities' employees are as follows:

	Increase		Decrease	
€ million	**2019**	**2018**	**2019**	**2018**
Current service and interest cost	**0**	0	**0**	0
Post-employment medical benefits	**0**	0	**0**	0

Amounts recognized in profit or loss break down as follows:

€ million	2019	2018
Current service cost	**332**	297
Net interest expense (+) / income (-)	**75**	66
Past service cost (including plan curtailments)	**0**	0
Net benefit expense	**407**	**363**

The figures above are generally included in the personnel expenses for the respective functions. The net interest expense/income from unwinding the discount on the obligation and the return on plan assets is reported in interest expenses.

The development of the present value of pension obligations is presented in the following table:

€ million	2019	2018
As of January 1	**3,896**	3,566
Foreign exchange differences	**5**	3
Current service cost	**332**	297
Interest expense	**79**	69
Past service cost (including plan curtailments)	**0**	0
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	**0**	36
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	**1,222**	-81
Actuarial gains (-)/losses (+) arising from experience adjustments	**13**	-7
Employee contributions to plan assets	**0**	0
Pension payments from plan assets	**-5**	-3
Pension payments from company assets	**-41**	-40
Gains (-) / losses (+) from plan settlements	**0**	0
Changes in consolidated group	**–**	–
Other changes	**0**	3
Employee contributions	**57**	53
Balance at Dec. 31, 2019	**5,558**	**3,896**

Changes to key actuarial assumptions would have had the following effects on the defined benefit obligation:

		Dec. 31, 2019		Dec. 31, 2018	
Present value of defined benefit obligation if		€ million	change in percent	€ million	change in percent
Discount trend	is 0.5 percentage points higher	4,771	– 14.16	3,415	– 12.35
	is 0.5 percentage points lower	6,518	17.27	4,473	14.80
Payroll trend	is 0.5 percentage points higher	5,662	1.87	3,963	1.71
	is 0.5 percentage points lower	5,474	– 1.51	3,840	– 1.44
Pension trend	is 0.5 percentage points higher	5,889	5.96	4,100	5.23
	is 0.5 percentage points lower	5,262	– 5.33	3,712	– 4.73
Longevity	increase by one year	5,747	3.40	4,009	2.89

Each of the sensitivity analyses presented is based on changes to one assumption *ceteris paribus*, i.e., possible interdependencies between the individual assumptions are not taken into account.

To analyze the sensitivity of the present value of the defined-benefit obligation due to a change in the assumed longevity, the mortality rates assumed in the comparative calculation are reduced so as to increase longevity by roughly one year.

The weighted-average term of the defined-benefit obligation based on the present value of the obligation (Macaulay Duration) amounts to 30 years (prior year: 27 years).

The present value of the defined-benefit obligation is allocable among the plan members as follows:

€ million	2019	2018
Active members with pension entitlements	**4,637**	3,159
Members with vested entitlements who have left the company	**263**	182
Pensioners	**658**	555

A maturity profile of payments under defined-benefit obligations is presented in the following based on an allocation of the present value of the obligation to the maturity of the underlying payments:

€ million	2019	2018
Payments due within the next fiscal year	**48**	43
Payments due between two and five years	**236**	214
Payments due in more than five years	**5,274**	3,639

Development of plan assets at fair values:

€ million	2019	2018
As of Jan. 1	**104**	100
Foreign exchange differences	**4**	1
Interest income on plan assets determined using the discount rate	**4**	3
Income/expenses from plan assets not included in interest income	**7**	–5
Benefits paid	**–5**	–3
Changes in consolidated group	**–**	–
Gains (-) / losses (+) from plan settlements	**–**	–
Employer contributions	**6**	8
Employee contributions	**0**	0
Balance at Dec. 31, 2019	**120**	**104**

Plan assets are invested in the following categories:

€ million	Quoted prices in active markets	No quoted prices in active markets	Dec. 31, 2019 Total	Quoted prices in active markets	No quoted prices in active markets	Dec. 31, 2018 Total
Cash and cash equivalents	14	–	**14**	5	–	5
Equity instruments	17	–	**17**	29	–	29
Debt instruments	–	–	**–**	67	–	67
Derivative financial instruments	0	–	**0**	–	–	–
Equity funds	40	–	**40**	0	–	0
Pension funds	12	–	**12**	2	–	2
Real estate funds	1	–	**1**	1	–	1
Other funds	35	–	**35**	–	–	–
Other	1	0	**1**	0	–	0
Fair value of plan assets	**120**	**0**	**120**	**104**	**–**	**104**

62% of plan assets are invested in assets in the United Kingdom, 31% are invested in assets in the United States, 7% are invested in assets in Switzerland. Contributions to plan assets are expected to total €6 million for the following fiscal year.

The change in the net liability compared to the prior year is presented below:

€ million	Present value of obligation	Fair value of plan assets	2019 Total	Present value of obligation	Fair value of plan assets	2018 Total
As of Jan. 1	3,896	– 104	**3,792**	3,566	– 100	**3,466**
Foreign exchange differences	5	– 4	**1**	3	– 1	**2**
Current service cost	332	–	**332**	297	–	**297**
Interest expense/income	79	– 4	**75**	69	– 3	**66**
Past service cost (including plan curtailments)	0	–	**0**	0	–	**0**
Income/expenses from plan assets not included in interest income	–	– 7	**– 7**	–	5	**5**
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	0	–	**0**	36	–	**36**
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	1,222	–	**1,222**	-81	–	**-81**
Actuarial gains (-)/losses (+) arising from experience adjustments	13	–	**13**	-7	–	**-7**
Employee contributions to plan assets	0	0	**0**	0	0	**0**
Pension payments from plan assets	-5	5	**0**	-3	3	**0**
Employer contributions	–	-6	**-6**	–	-8	**-8**
Pension payments from company assets	-41	–	**-41**	-40	–	**-40**
Gains (-) / losses (+) from plan settlements	0	–	**0**	0	–	**0**
Changes in consolidated group	–	–	**–**	–	–	**–**
Other changes	0	–	**0**	3	–	**3**
Employee contributions	57	–	**57**	53	–	**53**
As of Dec. 31	**5,558**	**-120**	**5,438**	**3,896**	**-104**	**3,792**

The following amounts were recognized in the statement of financial position for defined-benefit obligations:

€ million	Dec. 31, 2019	Dec. 31, 2018
Present value of funded benefit obligations	**163**	127
Fair value of plan assets	**–120**	–104
Funded status (net)	**43**	23
Present value of unfunded benefit obligations	**5,395**	3,769
As of Dec. 31	**5,438**	**3,792**
thereof pension provisions	**5,438**	3,792
thereof other receivables	**–**	–

As of the reporting date, remeasurements from pension plans before tax of €1,230 million were recognized as a decrease in equity (prior year: increase in equity of €46 million).

[26] NON-CURRENT AND CURRENT OTHER PROVISIONS

€ million	Obligations arising from sales	Employee expenses	Miscellaneous provisions	Total
Balance at Jan. 1, 2018	**1,383**	**660**	**597**	**2,640**
Foreign exchange differences	5	1	2	8
Changes in consolidated group	0	0	– 0	0
Utilization	593	472	132	1,197
Additions/New provisions	583	536	368	1,487
Unwinding of discount/effect of change in discount rate	– 1	2	–	1
Reversal	20	9	181	210
Balance at Dec. 31, 2018	**1,357**	**718**	**654**	**2,729**
thereof current	810	526	615	1,951
thereof non-current	547	192	39	778
Balance at Jan. 1, 2019	**1,357**	**718**	**654**	**2,729**
Foreign exchange differences	7	1	0	8
Changes in consolidated group	–	–	–	–
Utilization	688	505	133	1,326
Additions/New provisions	914	567	380	1,861
Unwinding of discount/effect of change in discount rate	2	18	–	20
Reversal	13	8	157	178
Balance at Dec. 31, 2019	**1,579**	**791**	**744**	**3,114**
thereof current	857	558	703	2,118
thereof non-current	722	233	41	996

Provisions for obligations arising from sales primarily concern warranty obligations, marketing services and bonuses. The warranty obligations in the group mainly arise from product warranties granted for the vehicles it produces. The provisions include both estimated expenses from legal and contractual guarantee claims as well as estimated expenses for constructive warranties. The provisions are recognized taking account of the past or estimated future claims pattern per type of model and construction year. Individual technical risks identified are recorded separately. The timing of the utilization of the warranty provisions depends on the occurrence of the warranty claim and can extend over the entire legal and constructive warranty period. Provisions for expected repair measures have been recognized for the vehicles affected by the diesel issue, as described in note **[37]**, and a corresponding receivable due from Audi AG has been recognized under other financial assets. Estimated expenses for constructive warranties were taken into consideration for further customer and dealer measures relating to these vehicles. The provisions for bonuses are intended to cover the cost of subsequent reductions in revenue already realized.

Provisions for personnel expenses are recognized principally for employee and management bonuses, long-service awards, time credits, top-up amounts for phased retirement schemes, severance payments and similar obligations.

Miscellaneous provisions include provisions for customs law risks totaling €101 million (prior year: €44 million). In addition, a provision for insurance claims has been recognized in the total amount of €122 million (prior year: €116 million). Of that amount, €14 million (prior year: €18 million) is attributable to claims lodged but not yet indemnified, €10 million (prior year: €10 million) is attributable to claims not yet lodged and €98 million (prior year: €88 million) to insurance premiums that have not yet been collected. In addition, miscellaneous provisions contain a wide range of identifiable risks and uncertain obligations, such as those stemming from product liability and litigation, measured according to the probability of their occurrence.

69% of the other provisions is expected to result in cash outflows within one year, 27% in between one and five years and 4% thereafter.

[27] NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Financial liabilities break down as follows:

€ million	Total	Current	Non-current
Dec. 31, 2019			
ABS bonds	4,253	1,966	2,287
Debenture bonds	1,791	–	1,791
Liabilities to banks	657	190	467
Lease liabilities	910	80	830
Other financial liabilities	3	3	–
	7,614	**2,239**	**5,375**
Dec. 31, 2018			
ABS bonds	4,143	1,684	2,459
Debenture bonds	1,132	339	793
Liabilities to banks	581	189	392
Lease liabilities	–	–	–
Other financial liabilities[1]	3	3	–
	5,859	**2,215**	**3,644**

[1] The prior-year figures were restated (see the disclosures in note [29] Other financial liabilities).

The debenture bonds were placed in different tranches with fixed and variable interest and have been partially repaid. The principal amounts of the debenture bonds totaled €1,793 million (prior year: €1,132 million). Measurement is at amortized cost.

Liabilities to banks are used for refinancing in the financial services business and, to a small extent, for current financing. The nominal interest rate varies from 0.24% to 0.75% depending on the currency, maturity and contractual terms and conditions (prior year: 0.10% and 1.45%). Measurement is at amortized cost.

[28] TRADE PAYABLES

€ million	Dec. 31, 2019	Dec. 31, 2018
Trade payables	**2,582**	3,134
	2,582	**3,134**

Of the total amount of trade payables €0 million (prior year: €0 million) is due in more than one year.

The fair values of trade payables generally correspond to the carrying amounts.

[29] NON-CURRENT AND CURRENT OTHER FINANCIAL LIABILITIES

As of the end of the reporting period, other financial liabilities break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2019	Current	Non-current	Dec. 31, 2018
Negative fair values of derivative financial instruments	429	433	**862**	291	190	**481**
Interest payable	15	–	**15**	13	–	**13**
Liabilities from profit/loss transfer agreements and from tax reliefs with Porsche Holding Stuttgart GmbH	2,133	–	**2,133**	2,659	–	**2,659**
Miscellaneous financial liabilities[1]	505	224	**729**	478	209	**687**
	3,082	**657**	**3,739**	**3,441**	**399**	**3,840**

[1] The prior-year figures were restated.

Liabilities arising from minority shareholders' call rights of €210 million (prior year: €184 million) were reported for the first time in other financial liabilities; in the prior year these had been reported in note **[27]** financial liabilities. The prior-year figures were restated accordingly.

The item derivative financial instruments marked to market mainly comprises forward exchange transactions, currency options and interest rate swaps.

The negative fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2019	Dec. 31, 2018
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	**845**	467
Hedging transactions (interest and currency)	**845**	**467**
Liabilities related to derivatives not included in hedging relationships	**17**	14
	862	**481**

Further details on derivative financial instruments as a whole are given in note **[34]**.

[30] NON-CURRENT AND CURRENT OTHER LIABILITIES

As of the end of the reporting period, other liabilities break down as follows:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2019	Current	Non-current	Dec. 31, 2018
Payments received on account of orders[1]	456	302	**758**	499	183	**682**
Liabilities relating to						
other taxes	247	8	**254**	220	8	**228**
social security	7	–	**7**	7	–	**7**
wages and salaries	211	61	**272**	211	87	**298**
Miscellaneous liabilities[1]	157	121	**278**	150	124	**274**
	1,077	**492**	**1,569**	**1,087**	**402**	**1,489**

[1] The prior-year figures were restated (reclassifications within other liabilities).

The miscellaneous liabilities include deferred income. This comprises special rent payments of €246 million (prior year: €247 million) and other deferred income of €26 million (prior year: €29 million).

The payments received on account of orders item includes liabilities from advance payments received under contracts with customers. These developed as follows:

€ million	2019	2018[1]
Liabilities from advance payments received under contract with customers at Jan. 1	682	461
Additions and disposals	67	227
Changes in consolidated group	–	–
Changes in estimates and assumptions as well as contract modifications	–	–
Foreign exchange differences	9	–6
Liabilities from advance payments received under contract with customers at Dec. 31	**758**	**682**

[1] The prior-year figures were restated

Liabilities from advance payments received under contracts with customers correspond to the contractual liabilities from contracts with customers.

This also includes liabilities from long-term construction contracts:

€ million	Dec. 31, 2019	Dec. 31, 2018
Cost of conversion including outcome of the long-term construction contracts	179	219
thereof services billed to customers	–160	–177
Future receivables from long-term construction contracts	19	42
Advance payments received	–32	–58
	13	**16**

[31] TAX LIABILITIES

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Non-current	Dec. 31, 2019	Current	Non-current	Dec. 31, 2018
Deferred tax liabilities	–	681	**681**	–	650	**650**
Income tax provisions	129	–	**129**	96	–	**96**
Tax payables	72	–	**72**	93	–	**93**
	201	**681**	**882**	**189**	**650**	**839**

The tax allocation to Porsche Holding Stuttgart GmbH, Stuttgart, was reclassified as a financial liability and as such was reported for the first time under other financial liabilities **[29]**. The prior-year figures were restated to reflect this change.

€1 million (prior year: €32 million) of the deferred tax liabilities is due within one year.

Notes to the consolidated statement of cash flows

[32] NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows presents cash inflows and outflows from operating, investing and financing activities, regardless of how they are classified in the statement of financial position.

The cash flow from operating activities is derived indirectly, starting from profit/loss before tax. The profit/loss before tax is adjusted to eliminate non-cash expenses and income (primarily depreciation, amortization and write-downs, the gain/loss from the disposal of assets and other non-cash items). Other non-cash income and expenses primarily arose from the measurement of derivatives used to hedge foreign exchange exposure. Factoring in changes in working capital, which include changes in leased assets, changes in receivables from financial services and changes in pension provisions and other provisions, cash flows from operating activities are calculated. The item income taxes paid primarily includes payments to Porsche Holding Stuttgart GmbH, Stuttgart on account of the consolidated tax group in Germany and payments to foreign tax authorities.

Investing activities include additions to property, plant and equipment, and changes in equity investments, as well as additions of capitalized development costs, investments in securities, loans and time deposits.

Financing activities include outflows due to payments for profit transfers and dividend distributions and the re-payment of bonds, as well as inflows from capital increases, the issuance of bonds and changes in other financial liabilities.

The changes in the items of the statement of financial position from which the statement of cash flows is derived are adjusted for non-cash effects. Changes in the items in the statement of financial position concerned can therefore not be reconciled directly with the figures in the published consolidated statement of financial position.

Cash flows from operating activities presented in the cash flow statement include:

€ million	2019	2018
Interest paid	**175**	167
Interest received	**115**	101
Dividends received[1]	**6**	7

[1] Dividends received are recognized in the share of profits and losses of equity-accounted investments.

The interest paid and received also contains the interest income and interest expenses from financial services reported in cost of sales or sales revenue.

€ million	Dec. 31, 2019	Dec. 31, 2018
Cash and cash equivalents as reported in the statement of financial position	**3,511**	2,635
Time deposits	**337**	–
Cash and cash equivalents as reported in the statement of cash flows	**3,174**	2,635

Time deposits are not classified as cash equivalents. Time deposits have a contractual maturity of more than three months. The maximum default risk corresponds to the carrying amount of the cash and cash equivalents. The table below shows the analysis of the changes in financial liabilities into cash and non-cash items:

			Non-cash changes			
€ million	Balance at Jan. 1, 2019	Cash-effective changes	Foreign exchange differences	Changes in consolidated group	Changes in fair values	**Balance at Dec. 31, 2019**
ABS bonds	–4,143	–41	–69	–	–	**–4,253**
Other total third-party borrowings[1]	–1,716	–718	–14	–	–3	**–2,451**
Lease liabilities[2]	–821	77	–8	–	–158	**–910**
Total third-party borrowings	**–6,680**	**–682**	**–91**	**–**	**–161**	**–7,614**
Put options and compensation rights granted to non-controlling interest shareholders	–	–	–	–	–	**–**
Other financial assets and liabilities	3	–5	1	–	–	**–2**
Financial assets and liabilities in financing activities	**–6,862**	**–687**	**–90**	**–**	**23**	**–7,616**

			Non-cash changes			
€ million	Balance at Jan. 1, 2018	Cash-effective changes	Foreign exchange differences	Changes in consolidated group	Changes in fair values	Balance at Dec. 31, 2018
ABS bonds	–3,724	–305	–114	–	–	–4,143
Other total third-party borrowings[1]	–1,620	–54	–29	–	–13	–1,716
Lease liabilities	–	–	–	–	–	–
Total third-party borrowings	**–5,344**	**–359**	**–143**	**–**	**–13**	**–5,859**
Put options and compensation rights granted to non-controlling interest shareholders	–	–	–	–	–	–
Other financial assets and liabilities	–13	16	0	–	–	3
Financial assets and liabilities in financing activities	**–5,357**	**–343**	**–143**	**–**	**–13**	**–5,856**

[1] The prior-year figures were restated (see the disclosures in note [29] Other financial liabilities).

[2] The carrying amount in the opening balance sheet was restated (see the information on "New accounting standards – IFRS 16" and note [33] IFRS 16 – Leases).

Other Disclosures

[33] IFRS 16 – LEASES

1 LESSEE ACCOUNTING

The Porsche AG group primarily acts as lessee with respect to leases of office premises, real estate and other production resources. The leases are negotiated individually and include a wide range of contractual terms. Right-of-use assets under leases are included in the following items in the statement of financial position:

Presentation of and changes in right-of-use assets from January 1 to December 31, 2019:

€ million	Right of use on land, land rights and buildings incl. buildings on third party land	Right of use on technical equipment and machinery	Right of use on other equipment, operational and office equipment	Total
Cost Balance at Jan. 1, 2019	791	9	31	831
Foreign exchange differences	9	–	–	**9**
Changes in consolidated group	–	–	–	**–**
Additions	155	–	13	**168**
Transfers	–	–	–	**–**
Disposals	12	–	–	**12**
Balance at Dec. 31, 2019	**943**	**9**	**44**	**996**
Depreciation and impairment Balance at Jan. 1, 2019	–	–	–	–
Foreign exchange differences	–	–	–	**–**
Changes in consolidated group	–	–	–	**–**
Additions to cumulative depreciation	86	1	9	**96**
Additions to cumulative impairment losses	–	–	–	**–**
Transfers	–	–	–	**–**
Disposals	2	–	–	**2**
Reversal of impairment losses	–	–	–	–
Balance at Dec. 31, 2019	**84**	**1**	**9**	**94**
Carrying amount at Dec. 31, 2019	**859**	**8**	**35**	**902**

Income of €6 million was generated in the fiscal year from subleasing assets.

The measurement of right-of-use assets and the associated lease liability is subject to best estimates with regard to the exercise of options to extend or terminate the lease. This estimate is updated if there are material changes in circumstances or in the agreement.

The tables below show how the lease liabilities are presented in the statement of financial position and give an overview of their contractual maturities:

€ million	**Dec. 31, 2019**
Non-current financial liabilities	830
Current financial liabilities	80
Total lease liabilities	**910**

Maturity analysis of lease liabilities:

	Remaining contractual maturities			
€ million	under one year	within one to five years	over five years	Total
Lease liabilities at Dec. 31, 2019	80	249	581	**910**

Interest expenses of €33 million were incurred for lease liabilities in the fiscal year.

Right-of-use assets were not recognized for short-term leases and leases of low-value assets. Expenses totaling €24 million were incurred for leases of low-value assets in the fiscal year. That figure does not include expenses for short-term leases, which totaled €124 million in the fiscal year. €0 was attributable to variable lease payments in the fiscal year.

In the fiscal year, total cash outflows of €248 million were attributable to leases entered into as lessee.

The table below gives an overview of potential future cash outflows not taken into consideration in the measurement of lease liabilities:

€ million	**2019**
Future cash outflows to which the lessee is potentially exposed	
Variable lease payments	–
Residual value guarantees	–
Extension options	236
Termination options	2
Obligations under leases not yet commenced	17
Other limitations or obligations under leases	–
	255

2 LESSOR ACCOUNTING

The Porsche AG group acts as lessor under both finance and operating leases. These relate primarily to vehicles and, to a lesser extent, land and buildings and items of equipment for dealerships.

The Porsche AG group fully accounts for the credit risk arising in respect of lease receivables by recognizing loss allowances in accordance with IFRS 9. In addition, the assets underlying the leases are secured to a large extent by means of lease payments linked to use of the asset and by obtaining residual value guarantees.

2.1 Operating leases

Presentation of and changes in non-current leased assets from January 1 to December 31, 2019:

€ million	Leased land, rights and buildings, including buildings on third-party land under operating lease	Technical equipment and machines rented as part of operating lease	Other equipment, operating and business furnishing under operating lease	Total
Costs of acquisitions at Jan. 1, 2020	0	0	5,287	**5,287**
Foreign exchange differences	0	0	122	**122**
Additions	0	0	2,117	**2,117**
Disposals	0	0	2,049	**2,049**
Balance at Dec. 31, 2019	**0**	**0**	**5,477**	**5,477**
Depreciation and impairment Balance at Jan. 1, 2019	0	0	1,512	**1,512**
Foreign exchange differences	0	0	36	**36**
Additions to cumulative depreciation	0	0	752	**752**
Additions to cumulative impairment losses	0	0	117	**117**
Disposals	0	0	739	**739**
Reversal of impairment losses	0	0	30	**30**
Balance at Dec. 31, 2019	**0**	**0**	**1,648**	**1,648**
Carrying amount at Dec. 31, 2019	**0**	**0**	**3,829**	**3,829**

The following cash inflows are expected in the coming years from non-discounted expected lease payments outstanding under operating leases:

€ million	2020	2021	2022	2023	2024	From 2025	Total
Lease payments	199	499	698	128	24	88	**1,636**

Breakdown of income from operating leases:

€ million	2019
Lease income	1,063
Income from variable lease payments	13
Total	**1,076**

2.2 Finance leases

Interest income on the net investment in the lease amounted to €62 million in the fiscal year.

Reconciliation of lease payments from finance leases:

€ million	Dec. 31, 2019
Non-guaranteed residual value	218
Non-discounted lease payments	1,517
Unearned interest income	– 99
Loss allowance on lease receivables	– 108
Other	–
Net investment	**1,528**

The following payments are expected in the next few years from non-discounted expected lease payments outstanding under finance leases:

€ million	2020	2021	2022	2023	2024	From 2025	Total
Lease payments	663	440	340	68	6	–	**1,517**

[34] FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

1 HEDGING GUIDELINES AND FINANCIAL RISK MANAGEMENT PRINCIPLES

Due to the international activities in the automotive and financial services divisions, changes in exchange rates and interest rates affect the net assets, financial position and results of operations of the Porsche AG group. These risks result in particular from foreign currency transactions in the course of ordinary operations, from financing and from financial investing activities. The risks are regularly monitored, reported and centrally managed using financial instruments. The primary aim of using financial instruments is to limit the financial risk exposures in order to ensure the Porsche AG group's ability to continue as a going concern and its earnings power.

The principles and responsibilities for managing and controlling the risks that could arise from these financial instruments are defined by the Executive Board and monitored by the Supervisory Board. Internal guidelines exist within the group that clearly define the risk management and control processes. These guidelines regulate, among other things, the use of financial instruments or derivatives and the requisite control procedures, such as a clear segregation of functions between trading and settlement. The treasury department identifies, analyzes and monitors risks group-wide. The underlying guidelines and the supporting systems are checked regularly and brought into line with current market and product developments.

Derivative financial instruments are mainly used to control currency and interest rate risks. Currency risks from future sales revenue denominated in foreign currencies are hedged through the use of exchange rate hedging instruments for a period of up to five years. The main hedging instruments used are forward exchange transactions and currency options. The volume of exchange rate hedges is determined on the basis of the planned sales figures in the respective foreign currency, taking into account procurement volumes. The counterparties for the exchange rate hedges are Volkswagen AG and major national and international financial institutions. Cooperation is subject to uniform regulations and continuous monitoring. The interest rate risk from variable-rate financing and the interest rate risk from refinancing the financial services business are largely hedged through the use of suitable derivatives such as interest rate swaps.

Financial instruments are primarily used to reduce financial risks. However, the financial instruments used give rise to potential risks, such as counterparty risks and accounting risks. Channeling excess liquidity into investments also exposes the group to counterparty risks. Partial or complete default by a counterparty would have a negative impact on the net assets, financial position and results of operations. In order to manage these risks, the Porsche AG group has set out guidelines to ensure that transactions are concluded only in approved financial instruments, only with approved counterparties and only on the admissible scale. Accounting risks relating to the financial instruments entered into for hedging purposes also have to be analyzed. The risk of effects on the presentation of results of operations in the income statement is limited by way of hedge accounting.

Default risks in receivables are reduced by means of a strict receivables management system.

2 CREDIT AND DEFAULT RISK

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims under carrying amounts receivable from them. The maximum credit and default risk is reduced by collateral held. Collateral is primarily held for financial assets allocated to the "at amortized cost" category, and comprises vehicles, assets transferred as collateral, guarantees, and cash collateral. For level 3 financial assets with objective indications of impairment as of the reporting date, the collateral held reduced the risk by €2 million (prior year: €46 million).

The counterparties to material cash and capital investments and to derivatives are national and international financial institutions, as well as Volkswagen AG. Risk is also reduced by means of a limit system that is primarily based on credit assessments of the counterparties. The maximum amounts for default risk are given in section 2.3.

The global allocation of business activities and the resulting diversification meant that there were no material risk concentrations at individual counterparties or counterparty groups in the fiscal year, with the exception of other financial receivables due from Porsche Holding Stuttgart GmbH.

The other financial receivables due from Porsche Holding Stuttgart GmbH mainly relate to loan receivables. There is a direct link between Porsche Holding Stuttgart GmbH's credit rating and that of Volkswagen AG. As long as Volkswagen AG supplies its wholly owned subsidiary Porsche Holding Stuttgart GmbH with sufficient liquidity, the latter can meet its current obligations to the Porsche AG group arising from the liabilities totaling €9,712 million (prior year: €9,493 million).

2.1 Loss allowance

The Porsche AG group applies the expected credit loss model under IFRS 9 on a uniform basis for all financial assets and other risk exposures.

IFRS 9 differentiates between the general approach and the simplified approach. The expected credit loss model under IFRS 9 comprises both loss allowances for financial assets where there are no objective indications of impairment, as well as loss allowances for financial assets that are already impaired.

Under the general approach, financial assets are assigned to one of three stages plus an additional stage for purchased or originated credit-impaired financial assets (stage 4). Stage 1 comprises financial assets at initial recognition or for which there has not been any significant increase in probability of default. 12-month expected credit losses are calculated at this stage. Stage 2 comprises financial assets with a significant increase in probability of default, and stage 3 comprises financial assets for which there are objective indications that default will occur. Lifetime expected credit losses are calculated in stages 2 to 4.

The Porsche AG group applies the simplified approach to trade receivables with a significant financing component. The same applies to receivables from operating or finance leases accounted for in accordance with IFRS 16. Under the simplified approach, expected credit losses are calculated consistently over the entire life of the asset.

The tables below present a reconciliation of gross receivables and loss allowances for the different classes of financial assets.

Changes in the gross carrying amounts of financial assets measured at amortized cost for the period from January 1 to December 31, 2019:

€ million	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Carrying amount at Jan. 1, 2019	13,868	41	68	783	**14,760**
Foreign exchange differences	50	1	1	6	**58**
Changes in consolidated group	–	–	–	0	**0**
Changes	1,232	–3	1	123	**1,353**
Modification	–	–	–	–	**–**
Transfers to					**–**
Stage 1	62	–15	–47	–	**–**
Stage 2	–20	20	–	–	**–**
Stage 3	–2	–	2	–	**–**
Carrying amount at Dec. 31, 2019	**15,190**	**44**	**25**	**912**	**16,171**

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Carrying amount at Jan. 1, 2018	13,769	3	19	471	14,262
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	–0	–	–	0	–0
Changes	186	–	–	312	498
Modification	–	–	–	–	–
Transfers to					–
Stage 1	7	–7	–0	–	–
Stage 2	–45	45	–	–	–
Stage 3	–49	–	49	–	–
Carrying amount at Dec. 31, 2018	**13,868**	**41**	**68**	**783**	**14,760**

Changes in the loss allowance for financial assets measured at amortized cost for the period from January 1 to December 31, 2019:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2019	18	3	19	22	**62**
Foreign exchange differences	0	0	0	0	**0**
Changes in consolidated group	–	–	–	0	**0**
Newly extended/purchased financial assets (additions)	5	–	–	16	**21**
Other changes within a stage	–	–	6	–	**6**
Transfers to					**–**
Stage 1	2	–0	–2	–	**–0**
Stage 2	–1	1	–	–	**–0**
Stage 3	–1	–	2	–	**1**
Financial instruments derecognized during the period (disposals)	–1	–	–4	–6	**–11**
Utilization	–	–	–4	–0	**–4**
Changes to models or risk parameters	–	–	–	–	**–**
Carrying amount at Dec. 31, 2019	**22**	**4**	**17**	**32**	**75**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2018	16	3	18	24	61
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	–	–	–	0	0
Newly extended/purchased financial assets (additions)	6	–	–	10	16
Other changes within a stage	–2	–0	4	–	2
Transfers to					
Stage 1	1	–1	–0	–	–
Stage 2	–1	1	–	–	–
Stage 3	–1	–	1	–	–
Financial instruments derecognized during the period (disposals)	–1	–	–1	–7	–9
Utilization	–	–	–3	–5	–8
Changes to models or risk parameters	**–**	**–**	**–**	**–**	**–**
Carrying amount at Dec. 31, 2018	**18**	**3**	**19**	**22**	**62**

Changes in the gross carrying amounts of lease receivables for the period from January 1 to December 31, 2019:

€ million	Simplified approach
Carrying amount at Jan. 1, 2019	1,448
Foreign exchange differences	3
Changes in consolidated group	–
Changes	198
Modification	
Carrying amount at Dec. 31, 2019	**1,649**

	Simplified approach
Carrying amount at Jan. 1, 2018	1,336
Foreign exchange differences	–
Changes in consolidated group	–
Changes	112
Modification	–
Transfers to	
Carrying amount at Dec. 31, 2018	**1,448**

Changes in the loss allowance for lease receivables for the period from January 1 to December 31, 2019:

€ million	Simplified approach
Carrying amount at Jan. 1, 2019	99
Foreign exchange differences	0
Changes in consolidated group	–
Newly extended/purchased financial assets (additions)	29
Other changes within a stage	–
Financial instruments derecognized during the period (disposals)	– 6
Utilization	– 13
Changes to models or risk parameters	
Carrying amount at Dec. 31, 2019	**109**

	Simplified approach
Carrying amount at Jan. 1, 2018	91
Foreign exchange differences	–
Changes in consolidated group	–
Newly extended/purchased financial assets (additions)	24
Other changes within a stage	–
Financial instruments derecognized during the period (disposals)	– 5
Utilization	– 11
Changes to models or risk parameters	–
Carrying amount at Dec. 31, 2018	**99**

2.2 Modifications

There were no contractual modifications of financial assets during the reporting period that would not have led to the financial assets being derecognized.

2.3 Maximum credit risk

The table below shows the maximum credit risk to which the Porsche AG group is exposed, broken down into the classes to which the impairment model is applied:

€ million	Dec. 31, 2019	Dec. 31, 2018
Financial instruments measured at fair value	–	–
Financial instruments measured at amortized cost	**16,096**	14,698
Financial guarantees and credit commitments	**72**	–
Not allocated to a measurement category	**1,540**	1,349
Total	**17,708**	**16,047**

2.4 Rating categories

The Porsche AG group examines the credit standing of the borrower for every loan and lease agreement. It uses scoring systems in the retail business, and rating systems for major customers and receivables from dealer financing. Receivables rated as good are allocated to credit risk rating grade 1. Receivables from customers whose credit rating is not good but have not yet defaulted are allocated to credit risk rating grade 2. All defaulted receivables are allocated to credit risk rating grade 3.

The table below shows the gross carrying amounts of financial assets by rating category as of December 31, 2019.

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2019					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	15,190	–	–	2,547	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	45	–	4	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	25	9	–
Total	**15,190**	**45**	**25**	**2,560**	**–**

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2018					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	13,871	–	–	2,219	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	0	38	–	3	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	68	9	–
Total	**13,871**	**38**	**68**	**2,231**	**–**

Collateral amounting to €1,195 million that was received for financial assets in the fiscal year (previous year: €2,325 million) was recognized in the statement of financial position. This primarily relates to vehicles.

3 LIQUIDITY RISK

The solvency and liquidity of the Porsche AG group are continuously secured by rolling liquidity planning, a cash liquidity reserve, guaranteed credit lines and incurring loans.

There is a master loan agreement with the Volkswagen group for a line of €2,000 million (amount drawn: €0 million; prior year: €0 million).

In certain countries (e.g., China), the group can only use local cash funds for cross-border transactions pursuant to exchange controls. There are no other material restrictions.

The following overview shows the contractual undiscounted cash outflows from financial instruments:

€ million	Remaining contractual maturities Within one year	Within one to five years	In more than five years	Total
Dec. 31, 2019				
Financial liabilities	2,387	4,095	1,869	8,351
Trade payables	2,582	–	–	2,582
Other financial liabilities	2,653	224	–	2,877
Derivative financial instruments	14,457	15,316	11	29,784
	22,079	**19,635**	**1,880**	**43,594**

Dec. 31, 2018				
Financial liabilities	2,380	3,691	272	6,343
Trade payables	3,134	–	–	3,134
Other financial assets	3,151	24	1	3,176
Derivative financial instruments	12,860	12,299	0	25,159
	21,525	**16,014**	**273**	**37,812**

The cash outflows from other financial liabilities include liabilities for tax allocations amounting to €335 million (prior year: €369 million).

Derivatives comprise both cash outflows from derivatives with negative fair values and cash outflows from derivatives with positive fair values for which gross settlement has been agreed. The cash outflows also include derivatives entered into by means of offsetting transactions. The cash outflows from derivatives for which gross settlement has been agreed are partly offset by cash inflows that are not taken into consideration in this maturity analysis. If these cash inflows were taken into account, the cash outflows presented would be significantly lower. This is particularly true of hedges entered into by means of offsetting transactions.

The Porsche AG group mainly generates liquidity through its business operations, external financing and the securitization of receivables. The funds are chiefly used to finance net working capital and capital expenditures and to cover the finance requirements of the leasing and sales financing business. Operational liquidity management uses cash pools in which material cash and cash equivalents in the Porsche AG group are pooled on a daily basis. There is also a cash pool with Volkswagen AG to make efficient use of the excess liquidity of Porsche AG. This enables liquidity surpluses and shortfalls to be controlled in line with requirements. The maturities of financial assets and financial liabilities as well as forecasts of cash flows from operating activities are included in short and medium-term liquidity management.

4 MARKET RISK

4.1 Hedging policy and financial derivatives

During the course of its general business activities, the Porsche AG group is exposed to foreign currency, interest rate and residual value risks, as well as risks relating to equities and bonds. It is company policy to exclude or limit these risks where possible by entering into hedging transactions. All necessary hedging transactions are executed or coordinated centrally by the treasury department.

4.1.1 Disclosures on gains and losses from cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in future cash flows. These cash flows can result from a recognized asset or liability, as well as a highly probable forecast transaction. The table below shows the gains and losses from cash flow hedges by risk type:

€ million	2019	2018
Interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**–4**	1
Recognized in profit or loss	**0**	0
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**–**	–
Due to realization of the hedged item	**–3**	0
Currency risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**–751**	192
Recognized in profit or loss	**–**	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**–**	–
Due to realization of the hedged item	**231**	315
Combined interest rate and currency risk hedging		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	**–1**	9
Recognized in profit or loss	**–**	–
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	**–**	–
Due to realization of the hedged item	**–**	–

The effects on equity shown in the table are net of deferred taxes.

The gains or losses on changes in the fair value of hedging instruments included in hedge accounting correspond to the basis for determining hedge ineffectiveness. The ineffective portion of cash flow hedges is the income or expense from changes in the fair value of the hedging instrument that exceeds the changes in the fair value of the hedged item. This hedge ineffectiveness arises due to differences in parameters between the hedging instrument and the hedged item. The respective income or expenses are recognized in other operating income or expenses and in the financial result.

The Porsche AG group uses two different methods to present market risk from non-derivative and derivative financial instruments in accordance with IFRS 7. For quantitative risk measurement, the financial services division uses a value-at-risk (VaR) model to measure interest rate and currency risk. By contrast, the residual value risk in the financial services division and market risk in the automotive division are determined using a sensitivity analysis. The VaR calculation indicates the extent of the maximum potential loss on the overall portfolio within a time horizon of 10 days at a confidence level of 99%. It is based on aggregating all of the cash flows from the non-derivative and derivative financial instruments in an interest rate gap analysis. The historical market data used to calculate VaR covers a period of 521 trading days. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risk.

4.1.2 Disclosures on hedging instruments used in hedge accounting

The Porsche AG group enters into hedging instruments to hedge its exposure to variability in future cash flows. The table below shows the notional amounts, fair values, and inputs used to determine the ineffectiveness of the hedging instruments included in cash flow hedges:

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2019				
Hedging interest rate risk				
Interest rate swaps	4,393	1	12	– 11
Hedging currency risk				
Currency forwards/Cross-currency swaps	21,432	37	756	– 11
Currency options	13,984	69	67	1
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	134	6	9	– 2

	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2018				
Hedging interest rate risk				
Interest rate swaps	2,980	7	2	2
Hedging currency risk				
Currency forwards/Cross-currency swaps	17,652	204	388	413
Currency options	14,234	455	423	35
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	110	6	3	0

The change in fair value presented in the table to calculate inefficiency corresponds to the change in fair value of the designated component.

4.1.3 Disclosures on hedged items used in hedge accounting

In addition to disclosures on the hedging instruments, disclosures must also be made on the hedged items, broken down by risk category and type of designation in hedge accounting. The table below lists the hedged items included in cash flow hedges:

€ million	Fair value changes to determine hedge ineffectiveness	Reserve for Active cash flow hedges	Reserve for Discontinued cash flow hedges
Dec. 31, 2019			
Hedging interest rate risk			
Designated components	–12	10	–
Undesignated components	–	–	–
Deferred taxes	–	–3	–
Total hedging interest rate risk	**–12**	**7**	**–**
Hedging currency risk			
Designated components	–11	17	–
Undesignated components	–	693	–
Deferred taxes	–	–212	–
Total hedging currency risk	**–11**	**498**	**–**
Combined interest rate and currency risk hedging			
Designated components	–2	0	–
Undesignated components	–	–	–
Deferred taxes	–	–0	–
Total hedging combined interest rate and currency risk	**–2**	**0**	**–**

	Fair value changes to determine hedge ineffectiveness	Reserve for Active cash flow hedges	Reserve for Discontinued cash flow hedges
Dec. 31, 2018			
Hedging interest rate risk			
Designated components	–2	0	–
Undesignated components	–	–	–
Deferred taxes	–	–0	–
Total hedging interest rate risk	–2	0	–
Hedging currency risk			
Designated components	–448	444	–
Undesignated components	–	–414	–
Deferred taxes	–	–9	–
Total hedging currency risk	–448	21	–
Combined interest rate and currency risk hedging			
Designated components	–0	1	–
Undesignated components	–	–	–
Deferred taxes	–	–0	–
Total hedging combined interest rate and currency risk	–0	1	–

4.1.4 Changes in the reserve

The accounting treatment of cash flow hedges requires that the designated effective portions of hedges be recognized in equity (OCI I). Any excess changes in the fair value of the designated component are recognized through profit or loss as hedge ineffectiveness. The table below shows the changes in the reserve:

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance at Jan. 1, 2019	0	313	–0	**313**
Gains or losses from effective hedging relationships	–4	–274	0	**–278**
Reclassifications due to changes in whether the hedged item is expected to occur	–	–	–	**–**
Reclassifications due to realization of the hedged item	–3	–51	–	**–54**
Offsetting against the initial cost of non-financial assets / liabilities	–	–	–	–
Reclassification of expected uncollectable losses recognised in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2019	**–7**	**–12**	**–0**	**–19**

	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance at Jan. 1, 2018	1	820	9	830
Gains or losses from effective hedging relationships	–1	–192	–9	–202
Reclassifications due to realization of the hedged item	–0	–315	–	–315
Reclassification of expected uncollectable losses recognised in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2018	**0**	**313**	**–0**	**313**

In general, changes in the fair value of the non-designated components of a derivative must likewise immediately be recognized through profit or loss. An exception to this principle are fair value changes in the non-designated time values of options, to the extent they relate to the hedged item. In addition, the Porsche AG group initially recognizes in equity (OCI II) changes in the fair value of the non-designated forward components of currency forwards and non-designated cross-currency basis spreads (CCBS) on currency hedges used in cash flow hedging. Consequently, the Porsche AG group only immediately recognizes through profit or loss changes in the fair value of non-designated components or parts thereof in the case of hedge ineffectiveness. The tables below give an overview of the changes in the reserve for hedging costs resulting from the non-designated portions of options and currency hedges.

Changes in the reserve for non-designated time value of options for the period from January 1 to December 31, 2019:

€ million	Currency risk
Balance at Jan. 1, 2019	–9
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	–46
Hedged item is recognized in a time-period	
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	19
Hedged item is recognized in a time-period	
Balance at Dec. 31, 2019	**–36**

	Currency risk
Balance at Jan. 1, 2018	46
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	–78
Hedged item is recognized in a time-period	–
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	23
Hedged item is recognized in a time-period	–
Balance at Dec. 31, 2018	**–9**

Changes in the reserve for non-designated forward components and cross-currency basis spreads (CCBS) for the period from January 1 to December 31, 2019:

€ million	Currency risk
Balance at Jan. 1, 2019	–282
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	–432
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	263
Balance at Dec. 31, 2019	**–451**

	Currency risk
Balance at Jan. 1, 2018	–
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	–395
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	113
Balance at Dec. 31, 2018	**–282**

4.2 Market risk in the financial services division

4.2.1 Interest rate risk

Interest rate risk in the financial services division mainly results from changes in market interest rates, primarily for medium- and long-term floating-rate liabilities and from non-maturity-matched refinancing. This risk is reduced by entering into interest rate hedges and cross-currency interest rate swaps.

As of December 31, 2019, the VaR for interest rate risk amounted to €8 million (previous year: €6 million).

4.2.2 Currency risk

Currency risk in the financial services division mainly results from assets denominated in a currency other than the functional currency, and from refinancing as part of operating activities.

As of December 31, 2019, the VaR for currency risk amounted to €3 million (previous year: €3 million).

4.2.3 Residual value risks

The residual value risk inherent in the leasing business results from a negative deviation between the residual value calculated when the agreement is concluded and the market value of the leased vehicle when it is sold following expiry of the agreed lease period.

In some markets, such as North America or to some extent in Germany, this residual value risk is borne by Porsche financial services companies. The market price of used vehicles constitutes the key risk variable in this context. Operational risk management is provided via ongoing monitoring of the development of used vehicle prices by means of data available outside the company. Residual value forecasts are used to check the appropriateness of risk provisioning and the residual value risk potential. The effects on profit after tax arising from a change in used vehicle prices are quantified using a sensitivity analysis.

If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10% higher as of December 31, 2019, profit after tax would have been €22 million (prior year: €17 million) higher. If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10% lower as of December 31, 2019, profit after tax would have been €20 million (prior year: €17 million) lower.

4.3 Market risk in the automotive division

4.3.1 Interest rate risk

Interest rate risk in the automotive division results from changes in market interest rates, primarily for medium- and long-term interest-bearing receivables and liabilities. Floating-rate items are included in cash flow hedges and – depending on the market situation – some are hedged by means of interest rate swaps.

In the automotive division, interest rate risk within the meaning of IFRS 7 is calculated using sensitivity analyses. The effect of risk-variable market interest rates on the financial result and equity are presented net of tax.

If market interest rates had been 100 bps higher as of December 31, 2019, equity would have been €0 million (prior year: €0 million) lower. If market interest rates had been 100 bps lower as of December 31, 2019, equity would have been €0 million (prior year: €0 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2019, profit after tax would have been €5 million lower (prior year: €3 million). If market interest rates had been 100 bps lower as of December 31, 2019, profit after tax would have been €5 million higher (prior year: €4 million).

4.3.2 Currency risk

Currency risk in the automotive division mainly results from operating activities, as well as investments and financing operations. Currency forwards and currency options are used to reduce currency risk. They are used to hedge the exchange rates for all material payments made in the course of general business operations that are not denominated in the functional currency of the respective company.

In 2019, hedges were entered into in the following currencies as part of currency risk management: Australian dollar (AUD), Brazilian real (BRL), British pound sterling (GBP), Canadian dollar (CAD), Chinese renminbi (CNY), Hong Kong dollar (HKD), Japanese yen (JPY), Mexican peso (MXN), Polish zloty (PLN), Russian ruble (RUB), Singapore dollar (SGD), South Korean won (KRW), Swedish krona (SEK), Swiss franc (CHF), Taiwan dollar (TWD), and US dollar (USD).

All non-functional currencies in which the Porsche AG group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currencies concerned had appreciated or depreciated by 10% against the euro, this would have resulted in the following effects on the hedging reserve in equity and profit after tax for the following currency pairs. It does not make sense to provide a total for the individual figures, since the results are based on different scenarios depending on the functional currency.

The table below shows the sensitivities as of December 31, 2019 with respect to the material currencies held.

€ million	Dec. 31, 2019 +10 %	Dec. 31, 2019 – 10 %	Dec. 31, 2018 +10 %	Dec. 31, 2018 – 10 %
Exchange rate				
EUR / USD				
Hedging reserve	679	– 690	788	– 735
Profit/loss after tax	– 16	16	– 26	26
EUR / TWD				
Hedging reserve	47	– 47	77	– 77
Profit/loss after tax	– 1	1	– 3	3
EUR / MXN				
Hedging reserve	6	– 6	5	– 5
Profit/loss after tax	–	–	–	–
EUR / PLN				
Hedging reserve	16	– 16	26	– 26
Profit/loss after tax	–	–	–	–
EUR / GBP				
Hedging reserve	162	– 162	185	– 183
Profit/loss after tax	– 5	5	– 4	4
EUR / CNY				
Hedging reserve	453	– 475	669	– 664
Profit/loss after tax	– 83	83	– 85	85
EUR / CHF				
Hedging reserve	75	– 67	101	– 88
Profit/loss after tax	– 1	1	–	–
EUR / SEK				
Hedging reserve	11	– 10	18	– 16
Profit/loss after tax	– 1	1	– 1	1
EUR / HKD				
Hedging reserve	14	– 14	16	– 16
Profit/loss after tax	– 1	1	– 1	1
EUR / RUB				
Hedging reserve	32	– 32	12	– 12
Profit/loss after tax	– 1	1	– 2	2
EUR / SGD				
Hedging reserve	3	– 3	3	– 3
Profit/loss after tax	–	–	–	–
EUR / KRW				
Hedging reserve	19	– 18	13	– 14
Profit/loss after tax	– 7	7	– 12	12
EUR / CAD				
Hedging reserve	69	– 70	80	– 74
Profit/loss after tax	– 2	2	– 2	2
EUR / JPY				
Hedging reserve	86	– 88	114	– 111
Profit/loss after tax	– 9	9	– 5	5
EUR / AUD				
Hedging reserve	23	– 23	36	– 36
Profit/loss after tax	– 4	4	– 6	6
EUR / BRL				
Hedging reserve	2	– 2	3	– 3
Profit/loss after tax	– 2	2	– 2	2

4.3.3 Risks relating to equities and bonds

The special fund launched using surplus liquidity, UI-356, is exposed in particular to equity and bond price risk that may arise from fluctuations in quoted market prices, stock exchange indices and market interest rates. The risks to which the special fund is exposed are generally countered by ensuring diversification across a range of products, issuers and regional markets when making investment decisions, as stipulated in the investment policy. The risk management system in place is based on a minimum value threshold and, if the market situation is appropriate, exchange rate hedges are entered into.

IFRS 7 stipulates that the presentation of market risk must include disclosures on how hypothetical changes in risk variables impact the price of financial instruments. The risk variables include in particular quoted market prices or indices, as well as interest rate changes as a bond pricing parameter.

If share prices had been 10% higher as of December 31, 2019, profit after tax would have been €6 million (prior year: €2 million) higher. If share prices had been 10% lower as of December 31, 2019, profit after tax would have been €10 million (prior year: €2 million) lower.

5 METHODS FOR MONITORING HEDGE EFFECTIVENESS

Since transitioning to IFRS 9, the Porsche AG group mainly assesses the effectiveness of hedges on a prospective basis using the critical terms match method. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method. Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

For this purpose, cumulative changes in the value of the designated spot component of the hedging instrument and the hedged item are compared. If there is no critical terms match, the same procedure is applied to the non-designated component.

The table below shows the remaining maturities profile of the notional amounts of hedging instruments recognized under the Porsche AG group hedge accounting requirements, as well as derivatives not included in hedge accounting:

€ million	Term to maturity up to one year	within one to five years	over five years	Total notional amount Dec. 31, 2019	Total notional amount Dec. 31, 2018
Notional amount of hedging instruments					
Hedging interest rate risk					
Interest rate swaps	3,575	818	–	**4,393**	2,980
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in CNY	3,711	2,431	–	**6,142**	5,357
Currency forwards/Cross-currency swaps in USD	2,627	5,656	–	**8,283**	6,658
Currency forwards/Cross-currency swaps in GBP	953	1,388	–	**2,341**	1,773
Currency forwards/Cross-currency swaps in other currencies	2,062	2,604	–	**4,666**	3,864
Currency options					
Currency options in CNY	2,047	–	–	**2,047**	4,062
Currency options in USD	3,117	4,899	–	**8,016**	6,418
Currency options in other currencies	1,439	2,482	–	**3,921**	3,754
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	134	0	0	**134**	110
Notional amount of other derivatives					
Hedging interest rate risk					
Interest rate swaps	0	276	287	**563**	52
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in other currencies	67	0	0	**67**	193
Currency options					
Currency options in other currencies	0	0	0	**0**	57
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	–	–	–	**–**	–

In addition to the other derivatives used to hedge currency and interest rate risk, as presented above, as of the December 31, 2019 reporting date the group held credit swaps with a notional amount of €451 million (prior year: €359 million) and remaining maturity of 1–5 years, and €0 million (prior year: €29 million) with a remaining maturity of under one year. It also held equity futures (€47 million; prior year: €10 million), equity options (€0 million; prior year: €8 million), fixed income futures (€88 million; prior year: €61 million), options on swaps (€602 million; prior year: €0 million) and equity swaps (€16 million; prior year: €11 million) with a remaining maturity of under one year, as well as other derivatives on equity instruments with remaining maturities of under one year (€0 million; prior year: €1 million) and 1–5 years (€0 million; prior year: €5 million).

With respect to the interest rate swaps and cross-currency interest rate swaps presented above, the Porsche AG group achieved a hedging interest rate of 1.08% (prior year: 1.05%) and 1.69% (prior year: 1.40%), respectively, weighted by total notional amount.

With respect to the currency forwards and currency options, the Porsche AG group achieved a hedging exchange rate for the material currencies of 8.19 (EUR/CNY; prior year: 8.25), 0.85 (EUR/GBP; prior year: 0.88) and 1.15 (EUR/USD; prior year: 1.19), weighted by total notional amount.

The total notional amount includes both derivatives entered into by means of offsetting transactions, as well as the offsetting transactions themselves. The offsetting transactions partly offset effects resulting from the original hedge, meaning that the respective notional amount would be significantly higher were the offsetting transaction not taken into account.

Another effect that increases the notional amount results from cylinder options, where both the put and call options are taken into consideration in the notional amount.

The hedged items in cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges presented in the table.

The group determines market values of the derivatives using market data on the reporting date and suitable valuation techniques. The calculation was based on the following interest rate structure:

%	EUR	USD	GBP	CHF	JPY
Dec. 31, 2019					
Interest rate for 6 months	−0.38	1.83	0.77	−0.56	−0.18
Interest rate for 1 year	−0.37	1.76	0.74	−0.51	−0.09
Interest rate for 5 years	−0.12	1.69	0.88	−0.44	0.03
Interest rate for 10 years	0.21	1.84	1.02	−0.11	0.13
Dec. 31, 2018					
Interest rate for 6 months	−0.31	2.77	0.92	−0.55	0.09
Interest rate for 1 year	−0.26	2.77	0.98	−0.55	0.01
Interest rate for 5 years	0.20	2.59	1.31	−0.26	0.02
Interest rate for 10 years	0.82	2.73	1.44	0.30	0.18

Given its use of interest rate swaps and cross-currency interest rate swaps for hedging purposes, the IBOR reform exposes Porsche AG to uncertainties with respect to timing, the amount of IBOR-based cash flows and the risk to which the hedged item and hedging instrument are exposed. Porsche AG applies the relief provided for in the amendments to the accounting standards for all hedges affected by the above uncertainties relating to the IBOR reform, irrespective of the remaining terms of the hedged items and hedging instruments included in the hedging relationships.

The uncertainties relate to the USD LIBOR and CAD CDOR reference rates.

In the case of cash flow hedges, which hedge the risk of changes in future cash flows, the uncertainty relates to the highly probable expectation of hedged variable future cash flows.

The likely effects of the IBOR reform are being assessed on an ongoing basis and the requisite action will be taken in good time. By modifying systems and processes, this action is aimed at ensuring that the new reference rates can replace those superseded by the IBOR reform in a timely manner. Porsche AG is currently focusing on the SONIA benchmark interest rate due to its high level of market acceptance and the materiality of the transactions involved.

The notional amounts of hedging instruments affected by the above uncertainties surrounding the IBOR reform amount to €2,885 million for USD LIBOR and €94 million for CAD LIBOR.

6 OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

6.1 Carrying amounts of financial instruments by measurement category

The table below shows the carrying amounts of financial instruments by measurement category.

€ million	Dec. 31, 2019	Dec. 31, 2018
Financial assets measured at fair value through profit or loss	513	355
Financial assets measured at fair value through other comprehensive income (debt instruments)	–	–
Financial assets measured at fair value through other comprehensive income (equity instruments)	0	41
Financial instruments measured at amortized cost	16,096	14,698
Financial liabilities measured at fair value through profit or loss	17	14
Financial liabilities measured at amortized cost	12,164	12,352

6.2 Classes of financial instruments

The Porsche AG group allocates financial instruments to the following classes:

- financial instruments measured at fair value
- financial instruments measured at amortized cost
- derivative financial instruments included in hedge accounting
- not allocated to any measurement category

6.3 Reconciliation of items in the statement of financial position to the classes of financial instruments

The table below presents a reconciliation of the line items in the statement of financial position to the classes of financial instruments, broken down by the carrying amounts and fair values of the financial instruments.

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	**STATEMENT OF FINANICAL POSITION ITEM AT DEC. 31, 2019**
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	298	**298**
Other equity investments	0	–	–	–	146	**146**
Financial services receivables	–	832	871	–	1,009	**1,841**
Other financial assets	51	8,219	8,923	79	–	**8,349**
Current assets						
Trade receivables	–	842	842	–	–	**842**
Financial services receivables	–	322	322	–	520	**842**
Other financial assets	11	2,370	2,370	34	–	**2,415**
Securities	451	–	–	–	–	**451**
Cash, cash equivalents and time deposits	–	3,511	3,511	–	–	**3,511**
Non-current liabilities						
Financial liabilities	–	4,545	4,595	–	830	**5,375**
Other financial liabilities	6	225	225	426	–	**657**
Current liabilities						
Financial liabilities	–	2,159	2,159	–	80	**2,239**
Trade payables	–	2,582	2,582	–	–	**2,582**
Other financial liabilities	11	2,653	2,653	419	–	**3,083**

€ million	MEASURED AT FAIR VALUE Carrying amount	MEASURED AT AMORTIZED COST Carrying amount	Fair value	DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING Carrying amount	NOT ALLOCATED TO A MEASUREMENT CATEGORY Carrying amount	STATEMENT OF FINANCIAL POSITION ITEM AT DEC. 31, 2018
Non-current assets						
Equity-accounted investments	–	–	–	–	368	**368**
Other equity investments	41	–	–	–	57	**98**
Financial services receivables	–	759	782	–	897	**1,656**
Other financial assets	31	8,167	8,820	200	–	**8,398**
Current assets						
Trade receivables	–	746	746	–	13	**759**
Financial services receivables	–	292	292	–	438	**730**
Other financial assets	27	2,099	2,099	166	–	**2,292**
Securities	297	–	–	–	–	**297**
Cash, cash equivalents and time deposits	–	2,635	2,635	–	–	**2,635**
Non-current liabilities						
Financial liabilities	–	3,644	3,653	–	–	**3,644**
Other financial liabilities	3	209	209	187	–	**399**
Current liabilities						
Financial liabilities	–	2,215	2,215	–	–	**2,215**
Trade payables	–	3,134	3,134	–	–	**3,134**
Other financial liabilities	11	3,150	3,150	280	–	**3,441**

The fair value of financial instruments accounted for at amortized cost, such as receivables and liabilities, is determined by means of discounting using a market interest rate that reflects the risks involved and when the outflow is due. For reasons of materiality, fair value is adopted as the carrying amount for current items in the statement of financial position.

For the reconciliation to the carrying amounts in the statement of financial position, the "Not allocated to a measurement category" column in the table also includes items that are not financial instruments.

The key risk variables for the fair values of receivables are risk-adjusted interest rates.

Financial instruments measured at fair value also include shares in partnerships and corporations.

6.4 Fair values of financial assets and liabilities

Fair values are allocated to the levels of the fair value hierarchy based on the availability of observable market prices. Level 1 shows the fair values of financial instruments where a quoted price is directly available on active markets. This includes securities issued by the Porsche AG group. Fair values in level 2, such as derivatives, are derived from market data using market valuation techniques. These market data include in particular currency exchange rates and yield curves which are observable on the relevant markets and can be obtained from pricing service providers. Level 3 fair values are calculated using valuation techniques with inputs that are not based on directly observable market data. In particular, the Porsche AG group allocated options on equity instruments to level 3. Equity instruments are primarily measured on the basis of the respective business plans and entity-specific discount rates.

Financial assets and liabilities measured at fair value by level:

€ million	Dec. 31, 2019	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	**0**	0	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**51**	–	22	29
Current assets				
Trade receivables	**–**	–	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**11**	–	11	–
Securities	**451**	451	–	–
Assets classified as held for sale	**–**	–	–	–
Non-current liabilities				
Other financial liabilities	**6**	–	6	–
Current liabilities				
Other financial liabilities	**11**	–	11	–

	Dec. 31, 2018	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	**41**	0	–	41
Financial services receivables	**–**	–	–	–
Other financial assets	**31**	–	2	29
Current assets				
Trade receivables	**–**	–	–	–
Financial services receivables	**–**	–	–	–
Other financial assets	**27**	–	9	18
Securities	**297**	297	–	–
Assets classified as held for sale	**–**	–	–	–
Non-current liabilities				
Other financial liabilities	**3**	–	3	–
Current liabilities				
Other financial liabilities	**11**	–	11	–

The fair values of financial assets and liabilities measured at amortized cost are presented in the following overview. The fair value of receivables from financial services allocated to level 3 is determined using the current market interest rates valid as of the reporting date instead of the internal interest rate. The material inputs used to calculate the fair value of receivables from financial services are forecasts and estimates of used vehicle residual values for the respective models. The receivables from financial services also include assets amounting to €1,529 million (prior year: €1,335 million) that are measured in accordance with IFRS 16.

€ million	Dec. 31, 2019	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	**2,722**	–	–	2,722
Trade receivables	**842**	–	842	–
Other financial assets	**11,293**	408	10,885	0
Cash, cash equivalents and time deposits	**3,511**	3,174	337	–
Fair value of financial assets measured at amortized cost	**18,368**	3,582	12,064	2,722
Fair value of financial liabilities measured at amortized cost				
Trade payables	**2,582**	–	2,582	–
Financial liabilities	**6,754**	–	6,754	–
Other financial liabilities	**2,878**	46	2,621	211
Fair value of financial liabilities measured at amortized cost	**12,214**	46	11,957	211

	Dec. 31, 2018	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	**2,409**	–	–	2,409
Trade receivables	**759**	–	759	–
Other financial assets	**10,919**	334	10,585	
Tax receivables				
Cash, cash equivalents and time deposits	**2,635**	2,635	–	–
Fair value of financial assets measured at amortized cost	**16,722**	2,969	11,344	2,409
Fair value of financial liabilities measured at amortized cost				
Trade payables	**3,134**	–	3,134	–
Financial liabilities	**5,868**	0	5,868	–
Other financial assets	**3,359**	428	2,747	184
Tax receivables				
Fair value of financial liabilities measured at amortized cost	**12,361**	428	11,749	184

Derivative financial instruments included in hedge accounting by level:

€ million	Dec. 31, 2019	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	**79**	–	79	–
Current assets				
Other financial assets	**34**	–	34	–
Non-current liabilities				
Other financial liabilities	**426**	–	426	–
Current liabilities				
Other financial liabilities	**419**	–	419	–

€ million	Dec. 31, 2018	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	**200**	–	200	–
Current assets				
Other financial assets	**166**	–	166	–
Non-current liabilities				
Other financial liabilities	**187**	–	187	–
Current liabilities				
Other financial liabilities	**280**	–	280	–

The table below summarizes the changes in items in the statement of financial position measured at fair value and allocated to level 3:

€ million	Financial assets measured at fair value
Balance at Jan. 1, 2019	88
Additions (acquisitions)	11
Reclassification from level 2 to level 3	0
Total comprehensive income	–4
recognized in profit or loss	–4
recognized directly in equity	0
Realizations	–14
Disposal (sales)	–52
Balance at Dec. 31, 2019	**29**
Gains or losses recognized in profit or loss	
Other operating profit/loss	0
thereof attributable to assets/liabilities held on the reporting date	0
Financial result	–4
thereof attributable to assets/liabilities held on the reporting date	–4

Balance at Jan.1, 2018	42
Additions (acquisitions)	41
Reclassification from level 2 to level 3	–
Total comprehensive income	5
recognized in profit or loss	5
recognized directly in equity	–
Disposal (sales)	–
Balance at Dec. 31, 2018	**88**
Gains or losses recognized in profit or loss	
Other operating profit/loss	
thereof attributable to assets/liabilities held on the reporting date	
Financial result	5
thereof attributable to assets/liabilities held on the reporting date	5

Transfers between the levels of the fair value hierarchy are generally reported as of the respective reporting dates. There were no transfers between the levels of the fair value hierarchy during the reporting period.

The key risk variable for options on equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in risk variables on profit after tax. If the assumed enterprise value had been 10% higher as of December 31, 2019, profit after tax would have been €2 million (prior year: €5 million) higher. If the assumed enterprise value had been 10% lower as of December 31, 2019, profit after tax would have been €2 million (prior year: €5 million) lower.

6.5 Offsetting financial assets and liabilities

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION		**Net amount at Dec. 31, 2019**
				Financial instruments	Collateral received	
Derivative financial instruments	176	–	176	– 106	–	**70**
Financial services receivables	2,683	–	2,683	–	–	**2,683**
Trade receivables	842	–	842	–	–	**842**
Securities	451	–	451	–	–	**451**
Cash, cash equivalents and time deposits	3,511	–	3,511	–	–	**3,511**
Other equity investments	–	–	–	–	–	**10,590**
Other financial assets	10,589	–	10,589	–	–	**10,589**

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION		**Net amount at Dec. 31, 2018**
				Financial instruments	Collateral received	
Derivative financial instruments	424	–	424	353	–	**71**
Financial services receivables	2,386	–	2,386	–	–	**2,386**
Trade receivables	759	–	759	–	–	**759**
Securities	297	–	297	–	–	**297**
Cash, cash equivalents and time deposits	2,635	–	2,635	–	–	**2,635**
Other equity investments	41	–	41	–	–	**41**
Other financial assets	10,266	–	10,266	–	–	**10,266**

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION Financial instruments	Collateral pledged	**Net amount at Dec. 31, 2019**
Derivative financial instruments	861	–	861	– 106	–	**755**
Financial liabilities	7,614	–	7,614	–	–	**7,614**
Trade payables	2,582	–	2,582	–	–	**2,582**
Other financial liabilities	2,878	–	2,878	–	–	**2,878**

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION Financial instruments	Collateral pledged	**Net amount at Dec. 31, 2018**
Derivative financial instruments	481	–	481	353	–	**128**
Financial liabilities	5,859	–	5,859	–	–	**5,859**
Trade payables	3,134	–	3,134	–	–	**3,134**
Other financial liabilities	3,359	–	3,359	–	–	**3,359**

The tables above present disclosures on the effects of offsetting in the consolidated statement of financial position and the potential financial effect of offsetting in the case of instruments subject to an enforceable master netting arrangement or similar agreement.

The "Financial instruments" column presents amounts subject to a master netting arrangement but that are not offset because they do not meet the conditions for offsetting in the statement of financial position. The "Collateral received" and "Collateral pledged" columns presents the amounts in relation to the total amount of assets and liabilities received or pledged as collateral in the form of cash or financial instruments that do not meet the conditions for offsetting in the statement of financial position.

6.6 Asset-backed securities transactions

Transactions in asset-backed securities conducted to refinance the financial services business amounted to €4,252 million (prior year: €4,143 million) and were reported in the ABS bonds. The corresponding carrying amount of the receivables from customer and dealer financing and the finance lease business amounted to €1,257 million (prior year: €1,233 million). Collateral totaling €6,452 million (prior year: €4,860 million) was provided for transactions in asset-backed securities. The expected payments to the special purpose entities and the financed vehicles are assigned as collateral. The transactions in asset-backed securities did not result in the disposal of receivables from the financial services business since del credere and repayment risks were retained within the group. The difference between the pledged receivables and the associated liabilities resulted from the share of vehicles financed within the group.

A majority of the group's asset-backed securities transactions may be repaid ahead of schedule ("clean up call") if less than 10% of the original transaction volume is outstanding. The pledged receivables may not be pledged further or otherwise serve as collateral. The claims of the bond holders are limited to the amount of the receivables pledged and the proceeds from these receivables are earmarked for repayment of the corresponding liability. As of December 31, 2019, the fair value of the receivables from the financing business that have been pledged but not disposed of amounted to €1,171 million (prior year: €1,127 million). The fair value of the associated liabilities as at the reporting date amounted to €1,187 million (prior year: €1,157 million).

6.7 Total interest income and expenses

The total interest income attributable to financial assets and liabilities measured at amortized cost, as calculated using the effective interest method, amounted to €521 million (previous year: €437 million) and the total interest expenses amounted to €162 million (previous year: €106 million).

6.8 Net gains/losses from financial instruments

The following table shows the net gains or losses from financial assets and financial liabilities, which is followed by detailed information on the material items.

Net gains/losses from financial assets by IFRS 9 measurement category:

€ million	2019	2018
Financial instruments measured at fair value through profit or loss	**11**	11
Financial instruments measured at amortized cost	**464**	426
Financial assets measured at fair value through other comprehensive income (debt instruments)	**–**	0
Financial liabilities measured at amortized cost	**–78**	– 118

The net gains or losses in the "financial instruments measured at fair value through profit or loss" category mainly result from the fair value measurement of derivatives, including interest and gains or losses on currency translation.

The net gains or losses in the "financial assets and liabilities measured at amortized cost" category mainly comprise interest income and expenses under the effective interest method pursuant to IFRS 9, currency translation effects, and the recognition of loss allowances. Interest also includes interest income and expenses from the lending business in the financial services division.

[35] CONTINGENT LIABILITIES

€ million	Dec. 31, 2019	Dec. 31, 2018
Guarantees	**9**	6
Warranties	**0**	0
Collateral for third-party liabilities	**–**	–
Other contingent liabilities	**4**	1

No provisions were recognized for contingent liabilities as the probability of occurrence of the risk is remote. The contingent liabilities do not include amounts connected with the diesel issue described in note **[37]**. Further official investigations/proceedings are still at a very early stage and the basis for claims has not been specified and/or the amounts cannot be determined with sufficient precision. To the extent that they meet the definition of a contingent liability, these official investigations/proceedings were generally not disclosed due to the lack of measurable data.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of contingent liabilities in connection with the investigation by the European Commission and other authorities, so as not to prejudice the outcome of the proceedings or the Company's interests. Further information can be found in note **[37]**.

[36] OTHER FINANCIAL OBLIGATIONS

€ million	Maturity: Within one year	Within one to five years	More than five years	Total
Dec. 31, 2019				
Purchase commitments in respect of				
Property, plant and equipment	438	181	–	619
Intangible assets	659	260	–	919
Obligations from				
Leasing and rental contracts	42	38	4	84
Miscellaneous other financial obligations	220	128	–	348
Total	**1,359**	**607**	**4**	**1,970**
Dec. 31, 2018				
Purchase commitments in respect of				
Property, plant and equipment	473	465	–	938
Intangible assets	821	68	–	889
Obligations from				
Leasing and rental contracts	146	365	485	996
Miscellaneous other financial obligations	192	112	–	304
Total	**1,632**	**1,010**	**485**	**3,127**

[37] LITIGATION

In the course of their operating activities, Porsche AG and the companies in which it holds direct or indirect interests are involved in a large number of legal disputes and official proceedings, both in Germany and abroad. These legal disputes and proceedings relate among other things to employees, dealers, investors, customers or suppliers, or to the competent authorities. They may lead to payment or other obligations for the companies involved. In particular, substantial compensation or punitive damages may have to be paid and cost-intensive measures may be necessary. It is often only possible to a limited extent to specifically quantify the effects of an objective threat, if at all.

In addition, risks may arise in respect of compliance with regulatory requirements. This applies in particular to regulatory gray areas, where Porsche AG or the companies in which it holds direct or indirect interests may make interpretations that differ from those of the competent authorities. Legal risks may also arise due to the criminal actions of individuals, which even the best compliance management system can never fully rule out.

Where doing so was manageable and economically feasible, adequate insurance cover was taken out to cover these risks. For risks that could be identified and measured, appropriate provisions were recognized or disclosures on contingent liabilities were made according to present knowledge. Since some risks can only be assessed to a limited extent, if at all, it cannot be ruled out that losses or damage may arise in an amount not covered by the insurance or provisions. This applies in particular to the assessment of legal risks arising from the diesel issue.

DIESEL ISSUE

On November 2, 2015, the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America, Inc.

The notice alleges that certain 3.0 liter V6 Volkswagen Group diesel engines are in contravention of the applicable emissions certification standards.

Porsche AG has decided to voluntarily halt sales of the roughly 11,500 3.0 liter V6 diesel engines affected pending a decision and recertification by the US authorities.

On January 4, 2016, the US Department of Justice filed a complaint at the request of the EPA against the above companies, among others. In addition, class actions were filed by e.g. customers, dealers and investors and proceedings were initiated by further authorities and institutions (including the Department of Justice (civil and criminal), state attorney generals, the Federal Trade Commission and the Customs and Border Protection Agency) over the course of 2016. Porsche AG cooperated fully with all of the parties involved to clarify the matter.

On January 11, 2017, the US Department of Justice published the agreement with the VW group, including Porsche AG. The agreement with Porsche AG is limited to civil penalties. Volkswagen has signed a hold harmless agreement for the fines. Porsche will not be supervised by an external monitor. The organizational and process requirements have already been largely addressed in the Porsche remediation plan. On May 11, 2017, the agreement of January 2017 was confirmed by the courts. On October 23, 2017, the US authorities approved the software update submitted for review by the Volkswagen group relating to emissions compliant repair (ECR) for around 38,000 vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 Cayenne V6 diesel vehicles affected began in November 2017. The requisite software updated was successfully rolled out in fiscal year 2018. The recall quota specified in the agreement with the US authorities was thus exceeded.

Audi AG has indemnified Porsche AG against the costs of legal risks, litigation, product liability complaints or other third-party complaints relating to the 2013–2016 Porsche Cayennes affected in the United States. Audi AG is primarily responsible for the legal defense, including the associated court costs relating to the diesel issue affecting the Porsche AG group. Consequently, it is not expected that the Porsche AG group will be subject to any outflow of resources in this regard.

In July 2017, the public prosecutor's office in Stuttgart instigated a criminal investigation into the diesel issue against one board member, one employee and one former employee of Porsche AG on suspicion of fraud and false advertising. On January 21, 2019, the public prosecutor's office in Stuttgart instigated administrative fine proceedings pursuant to sections 30 and 130 of the German Act on Breaches of Administrative Regulations (*Ordnungswidrigkeitsgesetz* – OWiG). The administrative offense proceedings initiated against Porsche AG in connection with the diesel issue ended with the fine notice issued by the public prosecutor's office in Stuttgart on May 7, 2019. The fine notice is based on a negligent breach of supervisory duty in the organizational unit *Prüffeld Entwicklung Gesamtfahrzeug/Qualität* (Overall Vehicle Development/Quality – Testing Facility). The fine notice imposes a total fine of €535 million, comprising a penalty payment of €4 million and the forfeiture of economic benefits amounting to €531 million. After a thorough review, Porsche AG accepted the fine and paid it in full, rendering the fine notice legally binding. The fine notice ends the administrative offense proceedings against Porsche AG. As a consequence, it is not expected that any further penalties or forfeitures will be imposed on Porsche AG in Europe in connection with the uniform circumstances underlying the fine notice.

OTHER LITIGATION

As part of its antitrust investigations in the automotive industry, in April 2019 the European Commission sent a statement of objections to Porsche AG and other German car manufacturers. In it, the European Commission outlined its preliminary assessment of the matter and gave the opportunity to make a statement. The subject matter of the proceedings is restricted to cooperation between German car manufacturers on technical issues in connection with the development and launch of SCR systems and "otto" particle filters for passenger cars that were sold in the European Economic Area. The manufacturers were not accused of other conduct such as price fixing or allocating markets and customers. The Volkswagen Group gained access to the investigation files in July 2019 and in December 2019 submitted its response to the European Commission's statement of objections. In addition, in March 2019 the Chinese antitrust authorities issued a request for information from Porsche AG and other German car manufacturers relating to the same matter.

Volkswagen AG and other Volkswagen Group companies have responded to a request for information from the US Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) related to automatic transmissions in certain vehicles with gasoline engines. In August 2019, the Volkswagen Group agreed with the EPA to forfeit approximately 220,000 Greenhouse Gas Emissions Credits as part of the EPA's inquiry. Also in August 2019, Volkswagen and the Plaintiffs' Steering Committee announced the settlement of civil claims relating to approximately 50,000 Porsche vehicles as well as further Volkswagen, Audi and Bentley vehicles. Volkswagen's testing of these vehicles in connection with the requests for information resulted in a 1 mile per gallon change – when rounded in accordance with EPA rules – in the fuel economy to be disclosed in the "Monroney label" required under US law. In October 2019, the court granted preliminary approval for the settlement.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of provisions and contingent liabilities in connection with other material litigation, so as not to prejudice the outcome of the proceedings or the Company's interests.

[38] SUBSEQUENT EVENTS

There were no events of significance to the net assets, financial position and results of operations after the end of financial year 2019.

[39] REMUNERATION BASED ON PERFORMANCE SHARES (SHARE-BASED PAYMENT)

At the end of 2018, the Supervisory Board of Porsche AG resolved to adjust the Executive Board remuneration system effective January 1, 2019. The new Executive Board remuneration system comprises fixed and variable components. The variable remuneration consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI) in the form of a performance share plan with forward-looking term (share-based payment).

The group of persons generally eligible as performance share plan beneficiaries was expanded in 2019, firstly to include top managers and at the end of the year to include all other managers and selected participants below management level. The first performance shares were granted to top managers at the beginning of 2019. All other beneficiaries below top management level will be granted their first performance shares at the beginning of 2020. The performance share plan works in essentially the same way as the performance share plan granted to top managers. Upon introduction of the performance share plan, top managers were guaranteed a minimum bonus amount for the first three years based on the remuneration for 2018, while all other beneficiaries received a guarantee for the first three years based on the remuneration for 2019.

PERFORMANCE SHARES

Under the performance share plan, each performance period lasts for three years. Upon award of the LTI, the annual target amount under the LTI is converted into Volkswagen AG performance shares on the basis of the initial reference price of Volkswagen preferred shares and is allocated to the respective beneficiary purely as a basis for calculation.
For members of top management, the number of performance shares is allocated on the basis of a three-year, forward-looking performance period in line with the degree of target achievement for the annual earnings per Volkswagen AG preferred share. For all other beneficiaries at levels below top management, allocation is based on a three-year performance period with one year of that period relating to future periods. In derogation, the allocation for 2020 will initially be based on a forward-looking performance of one year, and for 2021 on a two-year performance period with one year of that period relating to future periods. Settlement is effected in cash at the end of the performance period. The amount paid out corresponds to the number of allocated performance shares multiplied by the closing reference price at the end of the term plus a dividend equivalent. The amount paid out under the performance share plan is capped at 200% of the target.

TOP MANAGEMENT

		Dec. 31, 2019	Dec. 31, 2018
Total expense of the reporting period	€ million	**5**	–
Carrying amount of the obligation	€ million	**5**	–
Intrinsic value of the obligation	€ million	**4**	–
Fair value at grant date	€ million	**3**	–
Granted performance shares	Shares	**26,136**	–
of which granted during the reporting period	Shares	**26,136**	–

MANAGERS AND SELECTED PARTICIPANTS BELOW MANAGEMENT LEVEL

In the case of 100% achievement of the respective agreed targets, the target amount for managers and selected participants below management level totals €54 million (prior year: €0 million).

[40] RELATED PARTIES

In accordance with IAS 24, transactions with persons or entities that control or significantly influence Porsche AG or are controlled or significantly influenced by it must be disclosed.

As of the reporting date, Porsche AG was a subsidiary of Porsche Holding Stuttgart GmbH, Stuttgart. Since August 1, 2012, Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH have been included in the consolidated financial statements of Volkswagen AG based on the control concept.

There were receivables from and liabilities to Porsche Holding Stuttgart GmbH as of the reporting date (see notes **[19]** Other financial assets and **[29]** Other financial liabilities). Financial services were rendered to that company giving rise to interest income of €368 million (prior year: €368 million) and a cost of purchased services of €0 million (prior year: €0 million) was also recognized under interest expenses.

Even after the contribution of Porsche Holding Stuttgart GmbH to Volkswagen AG, the companies of the Porsche SE group are related parties due to the significant influence on Volkswagen AG.

There were supply relationships with the Volkswagen group relating to the vehicle and parts business and from consulting and development services. They were billed on arm's length terms. As of July 1, 2010, Porsche Financial Services Great Britain Ltd. no longer handles the new leases with customers or dealership purchase financing. The new business was transferred to Volkswagen Financial Services (UK) Ltd. under a cooperation agreement. In this context, the Porsche AG group assumes certain residual value risks. Porsche Cars Great Britain Ltd. recognized provisions of €3 million (prior year: €3 million) for these residual value risks.

As part of the transfer of the operating business and, in turn, the transfer of Porsche Holding Stuttgart GmbH by Porsche SE to Volkswagen AG in fiscal year 2012, Porsche SE entered into the following agreements with Volkswagen AG and entities of the Porsche Holding Stuttgart GmbH group in particular:

- Porsche SE holds Porsche AG harmless from tax liabilities (plus interest) and for certain major losses.
- In addition, Porsche SE agreed under certain circumstances to hold Porsche AG and its legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including July 31, 2009 recognized at the level of these entities.
- Porsche SE agreed to hold Porsche AG and its subsidiaries harmless from obligations that go beyond the obligations from periods up until and including December 31, 2011 recognized at the level of these entities. It was also agreed to allocate any subsequent VAT receivables and/or VAT liabilities arising from transactions up to December 31, 2009 between Porsche AG and Porsche SE to the entity concerned.
- Various conduct, cooperation and information duties were agreed between Porsche AG and Porsche SE.
- Volkswagen AG assumed responsibility for general financing for Porsche AG in the same way as it does for other subsidiaries of Volkswagen AG.

Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control, respectively, over Porsche SE. Therefore, relations with individuals and entities of the Porsche and Piëch families are subject to the disclosure requirements. There were no material supply relationships with the Porsche and Piëch families and their affiliated companies in the reporting period or the prior period.

In addition, Porsche AG group entities made the following material capital contributions in 2019:

- €46 million to Porsche Investments GmbH, Stuttgart
- €29 million to Cetitec GmbH, Pforzheim
- €20 million to IONITY Holding GmbH & Co. KG, Munich
- €11 million to Porsche Design Asia Hong Kong Ltd., Hong Kong
- €4 million to Porsche Design Timepieces AG, Solothurn
- €1 million to Porsche Consulting SAS, Asnières-sur-Seine
- €0.5 million to Smart Press Shop GmbH & Co. KG, Stuttgart

The capital contributions paid in the prior year were as follows: €31 million to IONITY Holding GmbH & Co. KG, Munich and €6,277 to New Horizon GmbH, Berlin. In addition, Porsche AG received a capital contribution from Porsche Holding Stuttgart GmbH in 2019 in the amount of €1,273 million (see note **[24]**). In the prior period, this capital contribution had amounted to €1,208 million.

As at the reporting period there were also loans to non-consolidated subsidiaries amounting to €153 million (prior year: €66 million) and to Volkswagen AG group companies amounting to €192 million (prior year: €190 million).

The tables below do not include the dividend payments received from the joint ventures and associates amounting to €6 million (prior year: €7 million).

Write-downs of €15 million (prior year: €19 million) were recognized in respect of the outstanding receivables from related parties. Expenses amounting to €1 million (previous year: €3 million) were incurred for this purpose in fiscal year 2019. Collateral in rem provided by Volkswagen AG group companies were recognized in the total amount of €0 million in 2019 (previous year: €1 million). The maximum credit risk for financial guarantees issued to joint ventures amounted to €73 million (prior year: €0 million).

In addition, there were other off-balance sheet obligations in 2019 to Volkswagen AG group companies amounting to €92 million (prior year: €130 million), to non-consolidated subsidiaries amounting to €9 million (prior year: €65 million), to joint ventures amounting to €0 million (prior year: €20 million) and to associates amounting to €20 million (prior year: €106 million).

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it, including close family members. In the reporting period, this related to the members of the Executive Board of Porsche AG and its Supervisory Board as well as their close family members. Supplies and services rendered and liabilities to members of management bodies and the Supervisory Board only included services from the vehicle, parts and design business, and other services. The employee representatives appointed to the Supervisory Board continue to be entitled to a normal salary in accordance with their employment contracts. Where members of German works councils are concerned, the salary conforms to the requirements of the German Works Constitution Act (*Betriebsverfassungsgesetz* – BetrVG). Porsche AG has reviewed the total remuneration and currently assumes that it is appropriate, including for the representative of management.

The benefits and compensation granted to the members of the Executive Board and the Supervisory Board for their work as members of those bodies are presented after the list of interests and are not included in the following list of supplies and services rendered or received or the receivables and liabilities.

Related parties:

€ million	Supplies and services rendered 2019	Supplies and services rendered 2018	Supplies and services received 2019	Supplies and services received 2018
Porsche and Piëch families	**–**	–	**–**	–
Porsche SE	**3**	2	**0**	0
Volkswagen AG – group	**3,670**	2,940	**5,097**	4,141
Porsche Holding Stuttgart GmbH	**368**	368	**0**	1
Non-consolidated entities	**28**	29	**131**	94
Joint ventures	**1**	0	**0**	0
Associates	**1**	1	**92**	89
Members of the Executive Board and the Supervisory Board Porsche AG	**2**	1	**0**	0
Members of the Executive Board and the Supervisory Board Volkswagen AG	**0**	–	**0**	–
	4,073	**3,341**	**5,320**	**4,325**

€ million	Receivables Dec. 31, 2019	Receivables Dec. 31, 2018	Liabilities Dec. 31, 2019	Liabilities Dec. 31, 2018
Porsche and Piëch families	**–**	–	**–**	–
Porsche SE	**0**	1	**–**	0
Volkswagen AG – group	**2,914**	2,285	**1,486**	1,200
Porsche Holding Stuttgart GmbH	**9,722**	9,503	**2,133**	2,663
Non-consolidated entities	**181**	99	**33**	40
Joint ventures	**–**	0	**–**	–
Associates	**0**	0	**44**	26
Members of the Executive Board and the Supervisory Board Porsche AG	**0**	0	**1**	–
Members of the Executive Board and the Supervisory Board Volkswagen AG	**–**	–	**–**	–
	12,817	**11,888**	**3,697**	**3,929**

List of interests held in Porsche AG subsidiaries not subject to full consolidation that are related parties within the meaning of IAS 24:

Name and domicile of the company	Interest held by the parent company
Non-consolidated subsidiaries	
Porsche Niederlassung Mannheim GmbH, Bietigheim-Bissingen	100.00
Porsche Digital GmbH, Ludwigsburg	100.00
Datura Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Manthey Racing GmbH, Meuspath	51.00
Manthey Servicezentrum GmbH, Meuspath	100.00
Ferry-Porsche-Stiftung, Stuttgart	0.00
New Horizon GmbH, Berlin	25.11
Cetitec GmbH, Pforzheim	75.00
Porsche Investments GmbH, Stuttgart	100.00
Dastera Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Porsche Digital, Inc., Atlanta / GA	100.00
Porsche Design Studio North America, Inc., Beverly Hills / CA	100.00
Porsche Design Great Britain Ltd., London	100.00
Porsche Design Italia S.r.l., Padua	100.00
Porsche Design of France S.A.R.L., Serris	100.00
Mieschke Hofmann und Partner (Schweiz) AG, Regensdorf	100.00
Shanghai Advanced Automobile Technical Centre Co., Ltd., Shanghai	100.00
MHP Americas Inc., Atlanta / GA	100.00
Porsche Services Singapore Pte Ltd., Singapore	100.00
Dalegrid Ltd., Reading	100.00
Nardò Technical Center S.r.l., Santa Chiara di Nardò	100.00
Porsche Design Asia Hong Kong Ltd., Hongkong	100.00
MHP (Shanghai) Management Consultancy Co., Ltd., Shanghai	100.00
Porsche Design Sales (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Engineering Romania S.R.L., Cluj-Napoca	100.00
MHP Consulting UK Ltd., Birmingham	100.00
AFN Ltd., Reading	100.00
MHP Consulting Romania S.R.L., Cluj-Napoca	100.00
Porsche Design Netherlands B.V., Roermond	100.00
Porsche Financial Services Korea LLC, Seoul	100.00
Porsche Design Timepieces AG, Solothurn	100.00
Porsche Engineering (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Smart Mobility Canada, Ltd., Toronto / ON	100.00
Porsche Werkzeugbau s.r.o., Dubnica nad Váhom	100.00
Porsche Consulting Canada Ltd., Toronto / ON	100.00
Cetitec USA Inc., Dublin / OH	100.00
Cetitec d.o.o., Cakovec	100.00
Porsche Consulting S.A.S., Asnières-sur-Seine	100.00

List of interests held in Porsche AG group joint ventures and associates that are related parties within the meaning of IAS 24:

Name and domicile of the company	**Interest held by the parent company**
Joint ventures	
IONITY Holding GmbH & Co. KG, Munich	25.00
PDB-Partnership for Dummy Technology and Biomechanics GbR, Ingolstadt	20.00
Axel Springer Porsche GmbH & Co. KG, Berlin	50.00
Axel Springer Porsche Management GmbH, Berlin	50.00
Smart Press Shop Verwaltungs-GmbH, Stuttgart	50.00
Smart Press Shop GmbH & Co. KG, Stuttgart	50.00
Material Science Center Qatar QSTP-LLC in Liquidation, Doha	25.00
Associates	
Bertrandt AG, Ehningen	29.10

In addition, the following benefits and compensation granted to the members of the Executive Board and of the Supervisory Board of Porsche AG have been recognized as expenses for their work as members of those bodies at Porsche AG:

€ million	**2019**	**2018**
Short-term employee benefits	**18.6**	19.9
Post-employment benefits	**2.5**	3.5
	21.1	**23.4**

There were balances outstanding at the end of the period for short-term and long-term benefits amounting to €16.4 million (prior year: €21.0 million). The post-employment benefits concern the additions to pension provisions for service cost relating to active Executive Board members.

[41] PERSONNEL EXPENSES

€ million	2019	2018
Wages and salaries	**3,240**	2,912
Social security contributions, pension and other benefit costs	**763**	701
	4,003	**3,613**

Employees (annual average)[1]		
Performance-related wage earners	**8,001**	7,253
Salaried staff	**25,194**	23,045
Trainees	**815**	793
	34,010	**31,091**

[1] The figures reflect the number of employees including employees in the leave phase of their phased retirement arrangement. Performance-related wage earners include all employees working in production at Porsche AG and Porsche Leipzig GmbH.

[42] GOVERNMENT GRANTS

Government grants of €0 million (prior year: €0 million) were deducted from the cost of property, plant and equipment. It is assumed that all the conditions associated with the grant have been met.

Profit-related government grants in the fiscal year amounted to €30 million (prior year: €21 million).

Stuttgart, February 10, 2020

Dr. Ing. h.c. F. Porsche Aktiengesellschaft

The Executive Board

Dr. Oliver Blume, Chairman	Lutz Meschke, Deputy Chairman
Andreas Haffner	Detlev von Platen
Albrecht Reimold	Uwe-Karsten Städter
Dr. Michael Steiner	

The following independent auditor's report (Bestätigungsvermerk), prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the consolidated financial statements, comprising the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies, of Dr. Ing. h.c. F. Porsche AG. The above-mentioned independent auditor's report and consolidated financial statements are both translations of the respective German-language documents.

INDEPENDENT AUDITOR'S REPORT

To Dr. Ing. h.c. F. Porsche AG, Stuttgart,

Audit Opinions

We have audited the consolidated financial statements of Dr. Ing. h.c. F. Porsche AG, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of matter – emissions issue

We draw attention to the information provided in the section "Litigation" of the notes to the consolidated financial statements with regard to the diesel issue and other litigation.

The provisions for warranties and legal risks recorded so far are based on the presented state of knowledge. Due to the inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Our audit opinion on the consolidated financial statements is not modified in respect of this matter.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of that system.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, February 10, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner Wirtschaftsprüfer (German Public Auditor)	Dietmar Prümm Wirtschaftsprüfer (German Public Auditor)

Audited Unconsolidated Financial Statements of the Company as of and for the year ended December 31, 2021, prepared in accordance with the German Commercial Code (HGB)

Balance Sheet

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2021

€ thousand	Note	Dec. 31, 2021	Dec. 31, 2020
Assets			
Fixed assets	[1]		
Intangible assets		**2,272,485**	2,243,776
Property, plant and equipment		**6,371,036**	6,499,928
Financial assets		**1,874,094**	1,215,939
		10,517,615	9,959,643
Current assets			
Inventories	[2]	**2,487,882**	1,922,811
Receivables	[3]	**19,651,996**	17,537,427
Other assets	[4]	**498,531**	401,965
Cash on hand and bank balances		**8,651**	350
		22,647,060	19,862,553
Prepaid expenses		**147,938**	159,382
Excess of covering assets over pension and similar obligations		**30,981**	0
		33,343,594	29,981,578
Equity and liabilities			
Equity			
Subscribed capital	[5]	**45,500**	45,500
Capital reserves	[6]	**14,225,080**	13,754,508
Retained earnings		**25,224**	25,224
Distributable profit		**0**	0
		14,295,804	13,825,232
Provisions	[7]		
Provisions for pensions and similar obligations		**4,209,743**	3,470,226
Other provisions		**3,228,776**	2,769,386
		7,438,519	6,239,612
Liabilities			
Liabilities to banks	[8]	**1,488,184**	1,894,951
Payments received on account of orders	[9]	**45,063**	44,558
Trade payables	[10]	**784,433**	561,457
Other liabilities	[10]	**8,852,640**	7,132,517
		11,170,320	9,633,483
Deferred income		**438,951**	283,251
		33,343,594	29,981,578

The contingent liabilities that exist as of December 31, 2021 are presented under note [18] Contingent liabilities.

Income Statement

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1, 2021 to December 31, 2021

€ thousand	Note	2021	2020
Sales revenue		**24,539,721**	21,492,527
Changes in inventories and other own work capitalized	[11]	**210,210**	84,944
Total operating performance		**24,749,931**	21,577,471
Other operating income	[12]	**682,803**	671,424
Cost of materials	[13]	**–14,269,582**	–12,477,835
Personnel expenses	[14]	**–3,273,454**	–2,765,906
Amortization and depreciation of intangible assets and property, plant and equipment		**–1,567,448**	–1,571,692
Other operating expenses	[15]	**–3,925,801**	–3,263,820
Income from equity investments	[16]	**108,272**	58,356
Income from profit and loss transfer agreements		**256,011**	213,607
Expenses from loss absorption		**–24,024**	–6,596
Income from securities and loans		**0**	3,591
Interest result	[17]	**265,165**	254,258
Earnings before taxes		**3,001,873**	2,692,858
Tax allocations		**–1,144,337**	–832,528
Earnings after taxes		**1,857,536**	1,860,330
Profit transferred on account of a profit and loss transfer agreement		**–1,857,536**	–1,860,330
Net income for the year		**0**	0

Mandatory Disclosures and Notes to the Annual Financial Statements 2021

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the Fiscal Year from January 1 to December 31, 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The annual financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, entered in the commercial register of Stuttgart local court under HRB no. 730623 (hereafter "Porsche AG"), are prepared in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] and the special requirements of the AktG ["Aktiengesetz": German Stock Corporation Act] in Euro.

In order to improve clarity, some items have been combined in the balance sheet and income statement. These items are broken down in the report below. Figures in the annual financial statements are rounded to the nearest thousand euro. Notes are also disclosed in thousands of Euro, unless indicated otherwise. The income statement is classified using the nature of expense method.

[1] FIXED ASSETS

€ thousand	Net book values Dec. 31, 2021	Dec. 31, 2020
Intangible assets		
Industrial and similar rights and assets, and licenses in such rights and assets	**1,470,439**	1,748,116
Advance payments made	**802,046**	495,660
Total intangible assets	**2,272,485**	2,243,776
Property, plant and equipment		
Land, land rights and buildings, including buildings on third-party land	**2,809,282**	2,579,463
Plant and machinery	**787,132**	823,400
Other equipment, furniture and fixtures	**1,973,834**	2,211,519
Advance payments and assets under construction	**800,788**	885,546
Total property, plant and equipment	**6,371,036**	6,499,928
Financial assets		
Shares in affiliates	**770,245**	530,043
Equity investments	**345,930**	69,393
Securities classified as fixed assets	**757,919**	616,503
Total financial assets	**1,874,094**	1,215,939
Total fixed assets	**10,517,615**	9,959,643

[2] INVENTORIES

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	**340,591**	292,405
Work in progress (goods)	**250,099**	132,064
Work in progress (services)	**62,885**	54,367
Finished goods and merchandise	**1,815,128**	1,424,796
Advance payments made	**19,179**	19,179
	2,487,882	1,922,811

[3] RECEIVABLES

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	**200,884**	141,238
Receivables from affiliates	**19,451,020**	17,394,957
Receivables from other investees and investors	**92**	1,232
	19,651,996	17,537,427

Receivables from affiliates result from loans issued as well as trade, cash pooling and profit transfers. As such, these relate to the items trade receivables as well as cash and cash equivalents. Loan receivables of €8,148,152 thousand (prior year: €8,211,577 thousand) were due in more than one year.

[4] OTHER ASSETS

Of other assets, an amount of €144,554 thousand (prior year: €112,822 thousand) is due in more than one year.

[5] SUBSCRIBED CAPITAL

The subscribed capital of Porsche AG amounts to €45.5 million and is divided into 45,500,000 ordinary shares, each representing a share of €1.00 in the company's capital stock.

[6] CAPITAL RESERVES

In the fiscal year 2021, Porsche Holding Stuttgart GmbH made a voluntary equity contribution pursuant to Sec. 272 (2) No. 4 HGB of €470,572 thousand (prior year: €1,028,441 thousand) to the capital reserves of Dr. Ing. h.c. F. Porsche AG, Stuttgart. The capital reserves also contain premiums.

[7] PROVISIONS

€ thousand	**Dec. 31, 2021**	Dec. 31, 2020
Provisions for pensions and similar obligations	**4,209,743**	3,470,226
Tax provisions	**93,052**	80,219
Other provisions	**3,135,724**	2,689,167
	7,438,519	6,239,612

Provisions for pensions largely relate to pension benefits for the employees of Porsche AG. The pension obligations are fully covered by provisions. Pension provisions are discounted at the average market interest rate of the past 10 fiscal years (Sec. 253 (2) Sentence 1 HGB). These are €612,629 thousand (prior year: €660,051 thousand) (difference) lower than the carrying amount for pension provisions that would have been recorded as of December 31, 2021 had the seven-year average interest rate been applied.

The recognition of covering assets pursuant to Secs. 246 (2) Sentence 2, 253 (1) Sentence 4 HGB results in a difference between the amortized cost and fair value as of the reporting date of €13,001 thousand. A ban on distribution pursuant to Sec. 268 (8) Sentence 3 HGB in conjunction with Sec. 301 Sentence AktG does not take effect as there are enough freely available reserves.

[8] LIABILITIES TO BANKS

Of liabilities to banks, €132,500 thousand (prior year: €303,500 thousand) is due in less than one year and €1,345,000 thousand (prior year: €1,577,500 thousand) in more than one year.

[9] ADVANCE PAYMENTS RECEIVED ON ACCOUNT OF ORDERS

Of the advance payments received on account of orders, €2,104 thousand (prior year: €1,204 thousand) relates to prepayments to affiliates.

[10] TRADE PAYABLES AND OTHER LIABILITIES

€ thousand	Dec. 31, 2021 Total	Dec. 31, 2021 Due in less than one year	Dec. 31, 2021 Due in more than one year	Dec. 31, 2020 Total	Dec. 31, 2020 Due in less than one year	Dec. 31, 2020 Due in more than one year
Trade payables	**784,433**	**784,433**	**0**	561,457	561,457	0
Liabilities to affiliates	8,442,228	8,442,228	0	6,761,104	6,761,104	0
Liabilities to other investees and investors	22,521	22,521	0	15,101	15,101	0
Sundry other liabilities	387,891	115,805	272,086	356,312	120,957	235,355
thereof for taxes	(24,370)	(16,055)	(8,315)	(22,572)	(22,572)	(0)
thereof for social security	(4)	(4)	(0)	(6)	(6)	(0)
Other liabilities	**8,852,640**	**8,580,554**	**272,086**	7,132,517	6,897,162	235,355

These relate to the items trade payables as well as other liabilities.

[11] CHANGES IN INVENTORIES AND OTHER OWN WORK CAPITALIZED

€ thousand	2021	2020
Change in finished goods and work in progress	**139,315**	15,931
Other own work capitalized	**70,895**	69,013
	210,210	84,944

[12] OTHER OPERATING INCOME

Of other operating income of €682,803 thousand (prior year: €671,424 thousand), an amount of €274,698 thousand (prior year: €169,707 thousand) relates to exchange rate gains.

[13] COST OF MATERIALS

€ thousand	2021	2020
Cost of raw materials, consumables and supplies and of purchased merchandise	**12,133,624**	10,624,910
Cost of purchased services	**2,135,958**	1,852,925
	14,269,582	12,477,835

[14] PERSONNEL EXPENSES

€ thousand	**2021**	2020
Wages and salaries	**2,317,632**	2,205,832
Social security, pension and other benefit costs	**955,822**	560,074
thereof for old-age pensions:	**(665,887)**	(291,752)
	3,273,454	2,765,906

[15] OTHER OPERATING EXPENSES

Other expenses of €3,925,801 thousand (prior year: €3,263,820 thousand) include exchange rate losses of €74,391 thousand (prior year: €273,110 thousand).

[16] INVESTMENT RESULT

€ thousand	**2021**	2020
Income from equity investments	**108,272**	58,356
thereof from affiliates:	**(85,845)**	(53,655)
	108,272	58,356

[17] INTEREST RESULT

€ thousand	**2021**	2020
Interest and similar income	**391,461**	380,725
thereof from affiliates:	**(366,939)**	(367,511)
Interest and similar expenses	**–126,296**	–126,467
thereof to affiliates:	**(-147)**	(-66)
	265,165	254,258

The interest result contains interest income of €3,402 thousand (prior year: 1,848 thousand) from the interest on long-term provisions. Interest expenses of €82,483 thousand (prior year: €90,765 thousand) result from the interest on long-term provisions.

[18] CONTINGENT LIABILITIES

Contingent liabilities as of December 31, 2021 comprise liabilities from guarantees and warranty agreements. These largely relate to letters of comfort to third-party creditors in favor of affiliates.

This includes a rent guarantee for Porsche Deutschland GmbH with regard to the rental of space and the Porsche Experience Center at the Hockenheimring racing circuit. The fixed-rent agreement provides for total annual rent of at least €4,400 thousand and has a fixed term until 2039.

Porsche AG has also issued guarantees and collateral of up to €121,623 thousand.

EXEMPTION FROM PREPARING CONSOLIDATED FINANCIAL STATEMENTS AND A GROUP MANAGEMENT REPORT PURSUANT TO SEC. 291 (2) HGB AS WELL AS EXEMPTION FROM PREPARING A MANAGEMENT REPORT AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO SEC. 264 (3) HGB

Volkswagen Aktiengesellschaft, Wolfsburg, prepares consolidated financial statements and a group management report in accordance with German law, in which the company's annual financial statements are included. These consolidated financial statements are published in the *Bundesanzeiger* [German Federal Gazette]. The company is therefore exempted from the obligation of preparing consolidated financial statements and a group management report. With reference to the provision of Sec. 291 (2) HGB, the company has opted to prepare neither consolidated financial statements pursuant to Sec. 315a HGB nor a group management report for the fiscal year 2021. Voluntary IFRS consolidated financial statements have been prepared for the fiscal year 2021.

Pursuant to Sec. 264 (3) HGB, Dr. Ing. h.c.F. Porsche AG has opted to neither prepare a management report and notes to the annual financial statements nor to publish the annual financial statements.

Stuttgart, February 21, 2022

Dr. Ing. h.c. F. Porsche Aktiengesellschaft
registered in Stuttgart,

The Executive Board

____
Dr. Oliver Blume,
Chairman

____
Lutz Meschke,
Deputy chairman

____
Andreas Haffner

____
Detlev von Platen

____
Albrecht Reimold

____
Barbara Frenkel

____
Dr. Michael Steiner

English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers)

Independent auditor's report

To Dr. Ing. h.c. F. Porsche Aktiengesellschaft

Audit opinion

We have audited the annual financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, which comprise the balance sheet as of December 31, 2021, the income statement and the mandatory disclosures and notes to the annual financial statements 2021 for the fiscal year from January 1 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law as applicable to all merchants as well as the classification and disclosure provisions applicable for corporations pursuant to Secs. 264 to 277 HGB ["Handelsgesetzbuch": German Commercial Code].

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the opinion

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

Other matter

Applying the simplification provision of Sec. 264 (3) HGB, notes to the financial statements and a management report were not prepared. At the time of completing our audit of the financial statements, it was not possible to conclusively determine whether the Company rightly made use of the exemption afforded by Sec. 264 (3) HGB because the requirements according to Sec. 264 (3) Sentence 1 No. 3, No. 4 and No. 5 lit. a) to e) HGB will not be met until a later date. Our opinion on the annual financial statements was not modified in this respect.

Responsibilities of the executive directors and the supervisory board for the annual financial statements

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to all merchants and the classification and presentation requirements applicable to corporations in Secs. 264 to 277 HGB. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally

Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of this system of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, February 21, 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok	Orlov
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

27 GLOSSARY

"€", "EUR" or Euro"	means the legal currency of the participating member states in the third stage of the European Economic Union pursuant to the Treaty establishing the European Community.
"Admission to Trading"	means the admission of the entire issued share capital of the Company, comprising 455,500,000 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
"AG"	means Aktiengesellschaft.
"AI"	means artificial intelligence.
"AktG"	means the German Stock Corporation Act (*Aktiengesetz*).
"AMF"	means the French supervisory authority *Autorité des marchés financiers.*
"APMs"	means alternative performance measures.
"Articles of Association"	means the Company's Articles of Association.
"Audited 2019 Consolidated Financial Statements"	means the audited consolidated financial statements of the Company as of and for the year ended December 31, 2019.
"Audited 2020 Consolidated Financial Statements"	means the audited consolidated financial statements of the Company as of and for the year ended December 31, 2020.
"Audited 2021 Consolidated Financial Statements"	means the audited consolidated financial statements of the Company as of and for the year ended December 31, 2021.
"Audited Consolidated Financial Statements"	means the Audited Consolidated Financial Statements of the Company as of and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019.
"Audited Unconsolidated Financial Statements"	means the audited annual financial statements of the Company as of and for the year ended December 31, 2021, prepared in accordance with the HGB.
"Automotive"	means pertaining to the Group's Automotive segment.
"Automotive BEV & PHEV Related Investments"	means the Automotive BEV & PHEV related research and development costs (without amortization) plus Automotive BEV & PHEV related Capital Expenditure. Automotive BEV & PHEV Related Investment is not calculated in accordance with the EU Taxonomy Regulation.
"Automotive Capital Expenditure"	means additions (cost) to intangible assets (excluding capitalized development costs), and to property, plant and equipment (excluding right-of-use assets) in the Automotive segment.

"Automotive EBITDA"	means Automotive operating profit excluding the diesel issue penalty notice in 2019 before depreciation/amortization and impairment losses/ reversals of impairment losses on property, plant and equipment, capitalized development costs and other intangible assets, each in the Automotive segment. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized.
"Automotive EBITDA Margin"	means the ratio of Automotive EBITDA to Automotive sales revenue.
"Automotive Investments"	means the sum of Automotive research and development costs (without amortization) and Automotive Capital Expenditure.
"Automotive Net Cash Flow" . .	means cash flows from operating activities of the Automotive segment less cash flows from investing activities of current operations of the Automotive segment. The investing activities of current operations exclude the changes in investments in securities, loans and time deposits of the Automotive segment.
"Automotive Net Cash Flow Margin"	means the ratio of Automotive Net Cash Flow to Automotive sales revenue.
"Automotive Net Liquidity" . . .	means the total of cash and cash equivalents, securities, loans and time deposits net of third-party borrowings (non-current and current financial liabilities) of the Automotive segment.
"Automotive Return on Investment"	means the ratio of Automotive operating profit after tax to average assets invested in the Automotive segment. Average assets invested in the Automotive segment is defined as total Automotive operating assets (property, plant and equipment, intangible assets, inventories and receivables) less Automotive non-interest-bearing liabilities (trade payables and payments on account received) at the beginning and end of the reporting period.
"Automotive Return on Sales" .	means the ratio of Automotive operating profit excluding the diesel issue penalty notice in 2019 to Automotive sales revenue. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor's office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized.
"Automotive Total Products Investments"	means the sum of total Automotive research and development costs (without amortization) and Automotive product-related capital expenditure.
"Automotive Trade Working Capital"	means the sum of the closing balances of Automotive inventories and Automotive trade receivables minus the closing balance of Automotive trade payables.
"BaFin"	means the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
"Banks"	means the Joint Global Coordinators, the Senior Joint Bookrunners, the Joint Bookrunners and the Co-Lead Managers.

"Base Shares"	means the 99,021,740 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder.
"Bertrandt"	means Bertrandt AG.
"CAFE"	means corporate average fuel economy.
"CAGR"	means compound annual growth rate.
"Capital Expenditure"	means Group additions (cost) to intangible assets (excluding capitalized development costs) and to property, plant and equipment (excluding right-of-use assets).
"Capital Increase 2009"	means the increase of the Company's share capital from EUR 50,000 by EUR 45,450,000 to EUR 45,500,000 against contribution in kind (*Sachkapitalerhöhung*) resolved upon by the General Meeting on November 25, 2009.
"Capital Increase 2022"	means the increase of the Company's share capital from EUR 45,500,000 by EUR 865,500,000 to EUR 911,000,000 resolved upon by the General Meeting on August 1, 2022.
"Capitalization Ratio"	means the Group investment in capitalized development costs divided by Group research and development costs (without amortization).
"**Cash Injection by Porsche GmbH**"	means the shareholder contribution of EUR 2,800 million without issuance of new shares to the Company's free capital reserve within the meaning of Section 272 Paragraph 2 No. 4 HGB effected on September 15, 2022.
"CET"	means Central European Time or Central European Summer Time, as the case may be.
"Clearstream"	means Clearstream Banking AG.
"Closing of the Offering"	means the time at which the book-entry delivery of the Offer Shares against payment of the Offer Price takes place.
"CNMV"	means the Spanish supervisory authority *Comisión Nacional del Mercado de Valores.*
"Co-Lead Managers"	means COMMERZBANK, Crédit Agricole CIB, LBBW and Mizuho.
"Code"	means the German Corporate Governance Code.
"Company" or "**Porsche AG**"	means Dr. Ing. h.c. F. Porsche Aktiengesellschaft.
"CONSOB"	means the Italian supervisory authority *Commissione Nazionale per le Società e la Borsa*.
"Consolidated Financial Statements"	means the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements.
"Cornerstone Investors"	means together Qatar Holding LLC ("**QIA**"), Norges Bank Investment Management ("**NBIM**"), T. Rowe Price International Ltd, acting as investment manager on behalf of its advisory funds ("**T. Rowe Price**") and ADQ, acting through Alpha Oryx Limited ("**ADQ**") (and each of them a "**Cornerstone Investor**").
"Covid-19"	means the ongoing novel coronavirus.
"DCI"	means decarbonization index.

"decarbonized use-phase"	means a net carbon neutral impact when driving while powered by green electricity (or with electricity the carbon impact of which is offset through the purchase of green energy certificates).
"DOJ"	means the United States Department of Justice.
"EEA"	means European Economic Area.
"ESG"	means environmental, social and governance.
"ESMA"	means the European Securities and Markets Authority.
"ESMA Guidelines"	means the Guidelines published by ESMA on October 5, 2015 with regard to Commission Delegated Regulation (EU) 2016/301.
"EU"	means the European Union.
"EU Short Selling Regulation" .	means Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps.
"Executive Board"	means the executive board (*Vorstand*) of the Company.
"EY"	means Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.
"Financial Services"	means pertaining the Group's financial services segment.
"Financial Services Equity Ratio"	means Financial Services equity divided by Financial Services total assets.
"Financial Services Return on Assets"	means Financial Services profit before tax divided by Financial Services average total assets. Financial Services average total assets is calculated as the average Financial Services total assets at the beginning and end of the reporting period.
"Financial Services Return on Equity before Tax"	means Financial Services profit before tax divided by Financial Services average equity. Financial Services average equity is calculated as the average Financial Services equity at the beginning and end of the reporting period.
"Financial Services Return on Sales"	means the ratio of Financial Services operating profit to Financial Services sales revenue.
"First Trading Day"	means September 29, 2022.
"First Tranche"	means 17.5% of the Ordinary Shares plus one Ordinary Share held by Porsche GmbH and to be transferred to Porsche SE at the Closing of the Offering subject to payment of the purchase price.
"FMA"	means the Austrian supervisory authority *Österreichische Finanzmarktaufsicht.*
"Frankfurt Stock Exchange" . .	means the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
"FTT"	means financial transaction tax.
"GDP"	means gross domestic product.
"GDPR"	means the EU's General Data Protection Regulation.
"Gen Z"	means Generation Z, individuals born between 1996 and 2012.
"General Meeting"	means the general meeting of the Company.

"Germany"	means the Federal Republic of Germany.
"GHG"	means greenhouse gas.
"Global Share Certificates"	means one or multiple global share certificates representing the Company's shares, which are or will be deposited with Clearstream.
"Greenshoe Option"	means an option granted by the Selling Shareholder to the Underwriters to acquire a number of the Preferred Shares equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions.
"Gross Margin"	means the ratio of Group gross profit to Group sales revenue.
"Group" or **"Porsche"**	means the Company and its consolidated subsidiaries.
"H1 2020"	means the six months ended June 30, 2020.
"H1 2021"	means the six months ended June 30, 2021.
"H1 2022"	means the six months ended June 30, 2022.
"HIF"	means HIF Global LLC.
"HGB"	means the German Commercial Code (*Handelsgesetzbuch*).
"HNWI"	means high net worth individuals, typically defined as individuals with assets ranging from USD 1.0 to 30.0 million.
"IFRS"	means International Financial Reporting Standards and the interpretations of the IFRS Interpretations Committee, as adopted by the European Union.
"Industrial Cooperation Agreement"	means the industrial cooperation agreement entered into by the Company and Volkswagen AG on September 5, 2022.
"IP"	means intellectual property.
"ISIN"	means International Securities Identification Number.
"IT"	means information technology.
"Joint Bookrunners"	means Santander, Barclays, Société Générale and UniCredit.
"Joint Global Coordinators"	means BofA Securities, Citigroup, Goldman Sachs and J.P. Morgan.
"KBA"	means the German Federal Office for Motor Traffic (*Kraftfahrtbundesamt*).
"KStG"	means the German Corporate Income Tax Act (*Körperschaftsteuergesetz*).
"LEI"	means Legal Entity Identifier.
"Manufacturer"	means manufacturer for the purposes of the MiFID II Product Governance Requirements.
"MAR"	means Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse.
"NHTSA "	means National Highway Traffic Safety Administration.
"MiFID II"	means EU Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended.

"MiFID II Product Governance Requirements"	means (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures, collectively.
"Millennials"	means Generation Y, individuals born between 1980 and 1995.
"Minimum Holding Period"	means a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date during which a shareholder has been the beneficial owner of shares.
"Minimum Risk Test"	means the following three prerequisites together: (a) the shareholder has been the beneficial owner of the shares for a continuous period of at least the Minimum Holding Period; (b) the shareholder has been exposed (if taking into account counterclaims and claims against related parties) to at least 70% of the risk resulting from a decrease in value of the shares during the Minimum Holding Period (the minimum change in value risk; *Mindestwertänderungsrisiko*); and (c) the shareholder is not obligated to forward (*vergüten*) these dividends, directly or indirectly, in total or predominantly to another person.
"Net Asset Value"	means total assets less current liabilities and non-current liabilities as shown in the Unaudited Condensed Consolidated Interim Financial Statements.
"Net SG&A Expenses"	means the sum of Group distribution expenses, administrative expenses and other operating expenses net of other operating income.
"Net SG&A Ratio"	means as the ratio of Net SG&A Expenses to Group sales revenue.
"New FTT"	means the final proposal announced by the German Federal Finance Minister on December 9, 2019 for a Directive for a financial transaction tax implemented by way of the enhanced cooperation mechanism to nine other participating EU member states.
"OFAC"	means the Office of Foreign Assets Control.
"Offer Period"	means the period that is expected to commence on September 20, 2022 and expire on September 28, 2022 during which investors may submit purchase orders for the Offer Shares.
"Offer Price"	means the placement price of the Offer Shares.
"Offer Shares"	means the Base Shares and the Over-Allotment Shares.
"Offering"	means offering of (i) 99,021,740 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder; and (ii) 14,853,260 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder in connection with a potential over-allotment.
"Ordinary Shares"	means the Company's ordinary bearer shares with no par value (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*).
"Over-Allotment"	means the allocation of Over-Allotment Shares as part of the allocation of the Offer Shares.
"Over-Allotment Shares"	means up to 14,853,260 non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*) from the holdings of the Selling Shareholder in connection with a potential over-allotment.

“P3X”	means P3X GmbH & Co. KG.
“Parent Subsidiary Directive”	means the Council Directive 2011/96/EU of November 30, 2011, as amended.
“PCNA”	means Porsche Cars North America, Inc.
“Porsche Classic”	means the Group’s sub-brand for standard Porsche vehicles.
“Porsche Exclusive Manufaktur”	means the Porsche Exclusive Manufaktur sub-brand.
“Porsche GmbH”	means Porsche Holding Stuttgart GmbH.
“Porsche SE”	means Porsche Automobil Holding SE.
“Pre-IPO Spin-Off”	means the Spin-Off 1 and Spin-Off 2.
“Preferred Shares”	means the Company’s non-voting preferred bearer shares with no par value (*auf den Inhaber lautende stimmrechtslose Vorzugsaktien ohne Nennbetrag*).
“Price Range”	means the Price Range within which purchase orders may be placed per Offer Share.
“Prospectus”	means this prospectus, dated September 19, 2022.
“Prospectus Regulation”	means Regulation (EU) No 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended.
“PwC”	means PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.
“QIBs”	means Qualified Institutional Buyers as defined in Rule 144A.
“Qualified Holding”	means the direct or indirect holding of at least 1% of the share capital of the Company.
“Regulation S”	means Regulation S under the Securities Act.
“Relationship Agreement”	means the agreement of September 5, 2022, entered into by the Company and Volkswagen AG governing the future relationship, particularly the cooperation, alignment and collaboration on certain matters between the parties thereto.
“Relevant Persons”	means qualified investors (a) who have professional experience in matters relating to investments falling within Article 19 paras. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and/or (b) who are high net worth entities falling within Article 49 para. 2(a) through (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and other persons to whom it may otherwise lawfully be communicated.
“Return on Sales”	means the ratio of Group operating profit excluding the diesel issue penalty notice in 2019 to Group sales revenue. In 2019, the Group was issued with a EUR 535 million penalty notice by the public prosecutor’s office in Stuttgart related to the diesel issue. Other emission-related expenses or income incurred by the Group were not adjusted or normalized.
“Rimac Group”	means Rimac Group D.O.O.
“RoP-EB”	means the rules of procedure for the Executive Board.

"RoP-SB"	means the rules of procedure for the Supervisory Board with effect as of September 23, 2022.
"Rule 144A"	means Rule 144A under the Securities Act.
"S-rating"	means "S" for sustainability.
"Second Tranche"	means 7.5% of the Ordinary Shares held by Porsche GmbH and to be transferred to Porsche SE on the day on which Volkswagen AG has paid the Special Dividend.
"Securities Act"	means the U.S. Securities Act of 1933.
"Sell Shares"	means 25% of the Ordinary Shares plus one Ordinary Share held by Porsche GmbH.
"Selling Shareholder"	means Porsche GmbH.
"Senior Joint Bookrunners" . . .	means BNP PARIBAS, Deutsche Bank and Morgan Stanley.
"Share Purchase Agreement" . .	means the share purchase agreement (*Aktienkaufvertrag*) between Volkswagen AG, Porsche GmbH and Porsche SE in relation to the Sell Shares, dated September 18, 2022.
"Shares"	means the shares of the Company.
"Special Dividend"	means the special dividend to the shareholders of Volkswagen AG to be paid by Volkswagen AG in the event of a successful Offering amounting to 49% of the total gross proceeds from the placement of the Offer Shares and the sale of the Sell Shares.
"Spin-Off 1"	means the first spin-off which became effective as of July 6, 2022.
"Spin-Off 2"	means the second spin-off which became effective as of July 11, 2022.
"SSP"	means scalable systems platform.
"SSP Sport"	means a sport version of the SSP which is being developed for use by the Group.
"Stabilization Manager"	means BofA Securities.
"Stabilization Measures"	means over-allotments and stabilization measures taken by the Stabilization Manager, in accordance with article 5 paras. 4 and 5 of the MAR in conjunction with articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016, to provide support for the market price of the Preferred Shares, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market in the Preferred Shares.
"Stabilization Period"	means the period from the date the Preferred Shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) ending no later than 30 calendar days thereafter.
"Supervisory Board"	means the Supervisory Board (*Aufsichtsrat*) of the Company.
"Target Market Assessment" . .	means Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (b) eligible for distribution through all distribution channels as are permitted by MiFID II.
"UmwG"	means the German Transformation Act (*Umwandlungsgesetz*).

"Unaudited Condensed Consolidated Interim Financial Statements"	The unaudited condensed consolidated interim financial statements of the Company as of and for the six months ended June 30, 2022.
"Underwriters"	means the Joint Bookrunners, together with the Joint Global Coordinators and the Senior Joint Bookrunner.
"Underwriting Agreement"	means the underwriting agreement between the Company, the Selling Shareholder, Volkswagen AG and the Banks dated September 19, 2022 relating to the offer and sale of the Offer Shares in connection with the Offering.
"United States" or **"U.S."**	means the United States of America.
"USD", "$" or **"U.S. Dollar"**	means the legal currency of the United States of America.
"Volkswagen AG"	means Volkswagen Aktiengesellschaft.
"Volkswagen Group"	means the Volkswagen AG and its consolidated subsidiaries.
"WKN"	means the German Securities Code (*Wertpapierkennnummer*).
"WpHG"	means the Securities Trading Act (*Wertpapierhandelsgesetz*).
"WpPG"	means the German Securities Prospectus Act (*Wertpapierprospektgesetz*).
"WpÜG"	means the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).
"ZEV"	means zero emission vehicle.

28 RECENT DEVELOPMENTS AND OUTLOOK

28.1 Recent Developments

By way of a spin-off according to section 123 UmwG, the Company transferred to Porsche Niederlassung Mannheim GmbH, a subsidiary of the Company, (i) loan receivables due from Porsche GmbH which amounted to EUR 8,144,151,599 with accrued interest of EUR 30,540,569 as of December 31, 2021, (ii) a receivable from a current account of the Company against Porsche GmbH amounting to EUR 2,028,835,983 as of December 31, 2021 and (iii) a cash equivalent position against Volkswagen AG amounting to EUR 1,500,000,000 with economic effect as of January 1, 2022. This Spin-Off 1 became effective as of July 6, 2022 upon entry in the commercial register. By way of a spin-off according to section 123 German Transformation Act (*Umwandlungsgesetz*), the Company transferred all shares held by the Company in Porsche Niederlassung Mannheim GmbH to Memphis I GmbH, a subsidiary of Porsche GmbH with economic effect as of January 1, 2022. This Spin-Off 2 became effective as of July 11, 2022 upon entry in the commercial register.

On August 1, 2022, the General Meeting resolved—among other items—to increase the Company's share capital from EUR 45,500,000 by EUR 865,500,000 to EUR 911,000,000 (the "**Capital Increase 2022**"). The implementation of the Capital Increase 2022 was registered with the commercial register (*Handelsregister*) of the Company at the local court (*Amtsgericht*) of Stuttgart on August 15, 2022. As of the date of this Prospectus, each of the then existing 455,500,000 Ordinary Shares and the 455,500,000 Preferred Shares represent 50% of the share capital of the Company, and all existing shares of the Company are held by the Selling Shareholder.

Porsche GmbH contributed EUR 2,800 million by a shareholder contribution without issuance of new shares to the Company's free capital reserve within the meaning of Section 272 Paragraph 2 No. 4 HGB effected on September 15, 2022 (the "**Cash Injection by Porsche GmbH**").

The Group is currently evaluating options regarding its market presence in Russia including the possible sale of its three subsidiaries in Russia (which, respectively, serve as importer, own retail and financial services entities) to an independent third party investor. Discussions are ongoing, and any such sale would also be subject to various conditions and approvals. As a result, there is no assurance that such sale will be completed.

On September 1, 2022, the Supervisory Board of the Company announced that it intends to appoint Sajjad Khan as member of the Executive Board of the Company. It has not yet been decided exactly when the Supervisory Board will make a final decision on the appointment of Sajjad Khan and when he could ultimately start at the Company. Sajjad Khan would focus primarily on Car-IT and become the eighth member of the Executive Board.

28.2 Outlook

28.2.1 *Profit Forecast 2022*

For the year ending December 31, 2022, the Company expects Return on Sales (as defined in "*9.2 Definition of Return on Sales*") to be in the range of 17% to 18%. This forecast is based on assumed Group sales revenue for the year ending December 31, 2022 in the range of approximately EUR 38 billion to EUR 39 billion.

For additional information regarding the Profit Forecast 2022, particularly the assumptions underlying this forecast, see "*9 Profit Forecast*".

Furthermore, the currencies of the Group's main markets performed strongly against the Euro during H1 2022. This development compared favourably against the Company's original business planning expectations, contributing approximately 200 basis points on top of the original business planning expectations, and therefore supports the top end of the expected range for Return on Sales.

28.2.2 *Mid-Term Targets*

In the mid-term, the Group is targeting a sales revenue CAGR of approximately 7% to 8%, with lower growth rates toward the end of the mid-term period. The Group expects growth to be supported by its targeted model cycle, its disciplined pricing strategy throughout the model cycle, and the expected increasing demand for BEVs as the Group expands its portfolio into high-end segments.

The Group is targeting Return on Sales in a range of approximately 17% to 19% for the mid-term. The Group also aims to increase its Automotive EBITDA margin over the years to come, with a mid-term Automotive EBTIDA margin target in a range of approximately 25% to 27%. The top end of the targeted ranges for Return on Sales and Automotive EBITDA Margin is supported by the assumption that the Euro remains weak against the currencies of the Group's main markets.

The Group expects multiple factors to drive its mid- and long-term profitability, including, benefits from pricing potential, such as the review of prices as part of the electrification strategy and its luxury positioning, margin potential from future model introductions, operating leverage and scale benefits, including the Group's two-platform strategy for BEVs.

The Group is also targeting growth in its Automotive Net Cash Flow Margin, targeting a mid-term Automotive Net Cash Flow Margin of approximately 12.5% to 14%, supported primarily by the Group's capital management.

The Group intends to apply a prudent capital allocation policy considering the current macroeconomic and geopolitical uncertainties. Its goal is to continue its focused investment program, both organically and with selected partnerships. In Automotive Investments, the Group has made significant BEV-related investments in recent years. Its overall target is to reduce Automotive Investments as a percentage of sales revenue.

The Group began its electrification transition years ago and it expects to benefit from these investments going forward. In the mid-term, the Group expects its Automotive Investments to remain broadly flat on absolute terms because of benefits from the two-platform strategy for BEVs and the reduction of ICE-related investments. The tipping point of the absolute amount of Automotive Investments is anticipated in 2023, with a decrease expected thereafter. Porsche is currently investing in both ICE and BEV. However, as the electrification strategy further materializes, the Group anticipates shifting its investments more into BEVs, reducing the necessity for parallel investments in ICE and BEV. This is also expected to drive the decrease in Automotive Investments in the mid-term. Correspondingly, the Group expects Automotive D&A (as defined below) as a percentage of sales revenue to peak in 2025, after which it is expected to remain broadly stable at around 7%. Automotive D&A is defined as Automotive depreciation and amortization and impairment losses/ reversals of impairment losses on property, plant and equipment, capitalized development costs and other intangible assets of the Automotive segment.

The Group targets that the combination of increasing margins and capital efficiency in the mid-term will result in improving return on capital.

Beyond its mid-term targets, the Group is also aiming for further opportunities to improve its business, particularly with regard to its profitability levels. The Group's long-term ambition is to achieve Return on Sales of more than 20%.

The Group's mid-term targets and long-term ambition are based on a number of assumptions, including, among others:

- No significant deterioration of economic and political conditions or the Covid-19 pandemic situation in the Group's main markets.
- No further significant disruptions in the supply chain, especially relating to semi-conductors, energy and materials, parts and components.
- No material price increases of raw materials and no further escalation of the Russia-Ukraine Conflict.
- No unexpected changes in the governmental regulations worldwide.
- The Euro remains weak against the currencies of the Group's main markets.